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NATIVE
INTELLIGENCE

NATIVE INTELLIGENCE™

THE POWER TO PERFORM

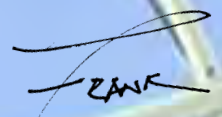
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*The Norton Agency is a diversified financial service company serving the North Georgia region since 1928. For three generations, the name you can **TRUST** in Northeast Georgia.*



THE POWER TO PERFORM

Change...

Never before in the 82 year history of our firm have we witnessed the velocity of economic, political and sociological change in Northeast Georgia. In the span of six months we saw Irrational Exuberance quickly transform into Irrational Pessimism. The housing and real estate market collapsed, the plug pulled out of Lake Lanier's bottom coupled with a 100 year drought, the force of economic decline in September 2008 and the change in national political party domination were converging forces felt deep in the mountains and far reaches of North Georgia.

But with change there is Hope, Optimism and most of all Opportunity. Norton Native Intelligence™ believes its greatest role as a North Georgia business force is to point out the GOOD...the BAD...the UGLY and the OPPORTUNITIES that lie in between. Once the dust settles and the smoke clears there does appear a clear path and there are shiny gems of opportunity amidst the hubris and rubble.

For 80 years we have helped folks pick up the pieces and rebuild it: their lives, the economy and the fabric of North Georgia's human condition. Our insurance agency has stood **strong** against devastating tornados, floods, fire, wind and debris (Frank Sr. even created and sold innovative chicken crop insurance in the 1950's). Adversity is what we do best. Our investment division has helped countless investors, banks and institutions recover from collapse and worked with investors to build great portfolios during times of economic uncertainty. Adversity is what we do best. Our residential division has helped folks buy a home to stabilize their households with home purchases, capitalize on government assistance programs like the \$8,000 tax credit or low interest rate loans. In many cases our home loan company, Norton Guaranteed Mortgage helps borrowers refinance their home to capitalize on lower interest rates. Adversity is what we do best. ADVERSITY leads to OPPORTUNITY.

We can **rebuild** it whether it's a personal portfolio or regional economy or business, Norton, after 82 years, stands strong... Ready to roll up its sleeves and help.

Robert V. Norton
President
Norton Insurance

Frank K. Norton, Jr.
President
The Norton Agency

NORTON NATIVE INTELLIGENCE™ FORECAST 2010
MAY BE DOWNLOADED AT WWW.NORTONCOMMERCIAL.COM/INTELLIGENCE.HTML
FOR ADDITIONAL INFORMATION CONSULT NORTON COMMERCIAL 770.297.4800

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2010 INFORMATION SOURCES

- | | |
|--|---|
| <ul style="list-style-type: none"> ■ Norton Native Intelligence™ ■ US Census ■ First MLS ■ GAMLS ■ Metrostudy ■ Realty Trac ■ Smart Numbers | <ul style="list-style-type: none"> ■ National Association of Realtors ■ University of Georgia Selig Center ■ Georgia State University for Economic Forecasting Center ■ Georgia Tech Center for Quality Growth
and Regional Development ■ The Beasley Report ■ Case-Shiller Index |
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2010 FORECAST INTRODUCTION

We're storytellers, sages...reading, learning, studying. We are thirsty for knowledge from all sources, all media and all people. We pour over past events, discuss and debate with hundreds and seek out [the **Reality** of markets, of trends and of human *native intelligence*]. As sages, we are the interpreters of events, wading through mountains and valleys of empirical data to weave a tale of market truth, trust and wisdom. What's trendy in California most likely doesn't trend nor translate too well in the hills of North Georgia. We're simple people, with strong beliefs and values. We have ample needs and a desire for a better way of life. Norton Native Intelligence™ Top 10 Trends for 2010 focuses on us. Main Street, Cumming, Winder, Gainesville, Clarkesville, Cleveland, Dawsonville, Dahlonega, Commerce, Cornelia, or the stretches of land connecting and weaving them together. Ours is a land unique to ourselves but not totally isolated from outside influences. Norton Native Intelligence's™ Top 10 Trends for 2010 are fundamental to our progress as a community.

We invite you to read with interest.

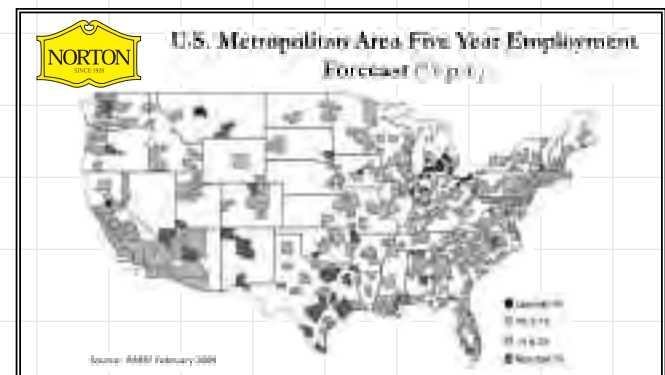
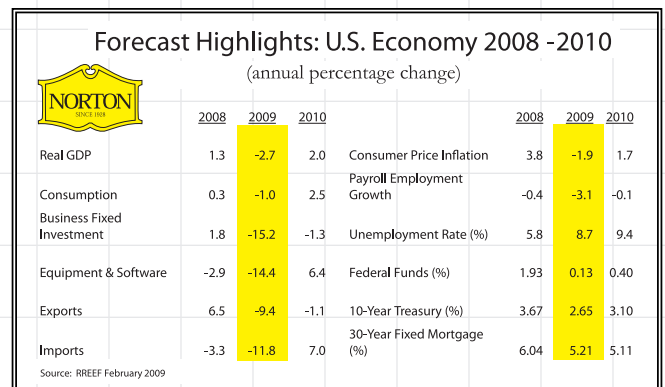


EXECUTIVE BOOKMARK READING LIST 2010 - 2011

While each year we consume a diet of countless newspapers (6 dailies/19 weeklies), numerous magazines and now the vast pool of Internet news blogs and postings, our forecasts are enriched by the number of books we read each year. We invite our readers to seek out these books and learn more about the Deep Think of other 21st century viewpoints.

2010 - 2011 Bookmarks & Resources

<i>All Marketers Are Liars</i>	Seth Godin
<i>A Whole New Mind</i>	Daniel H. Pink
<i>Super Crunchers</i>	Ian Ayres
<i>The New Elite</i>	Taylor, Harrison & Kraus
<i>Selling When No One is Buying</i>	Stephen B. Schiffman
<i>Exploiting Chaos</i>	Jeremy Gutsche
<i>Raving Fans</i>	Ken Blanchard
<i>Virus of the Mind</i>	Richard Brodie
<i>Predictably Irrational</i>	Dan Ariely
<i>The Silver Lining</i>	Scott Anthony



2010 NORTH GEORGIA SENTIMENT SURVEY

The success or failure of any community lies deep within the mood of the people. How we feel about the past, the present and especially the future affects our spending, business expansion, savings and day-to-day patterns of life. My college aged (Georgia Tech) son, Frank III (Tripp) suggested this summer we do a business and resident survey on North Georgia and that we annually conduct this survey to see how over time North Georgia reacts to market conditions both positively and negatively. Norton Native Intelligence™ carefully crafted a series of questions, the first are “control” questions allowing us to divide the remaining answers into business background, years of residence in the region and county of residence. The remaining questions zero in on issues Norton Native Intelligence™ believes important to our region. It is our hope that annually five or six of these will be repeated in order to track changes in the mood and attitude in the region. The primary vehicle for survey distribution was that The Norton Agency’s Market Watch electronic newsletter base which now contains over 21,000 unique email addresses.

Our Results:

By press time close to 1000 Norton Market Watch subscribers completed our survey. We were overwhelmed and humbled by that response.

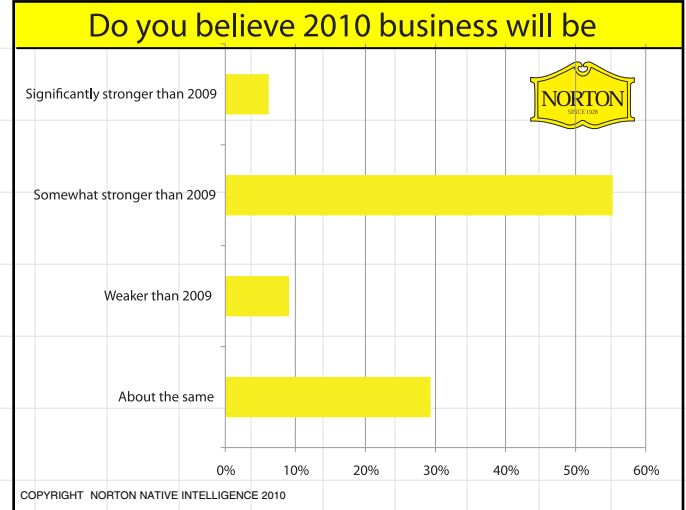
The mood of the business community is cautiously optimistic with the vast majority thinking Norton Georgia’s economy will begin full recovery in the second half of 2010 (17.6%) and into 2011 (46.6%) and 2012 (21.2%) with an overwhelming 61.5% believing 2010 will be better than 2009, 29.3% believed 2010 would mirror activity in 2009 and only 9.1% believed the economy would retreat below 2009 levels.

The good news was that 81.3% of North Georgians believed that North Georgia performed better than or as well as the National Economic Climate. When it came to the growth question or long-term prospects for our region, 81.9% believed that growth in our region would accelerate or stay the same and only 4.7% believed we would see a decline. North Georgians are optimistic about our future and the long-term hope for our region.

Spending

We asked the question “Do you plan to increase your...?” Where it applied our respondents said:

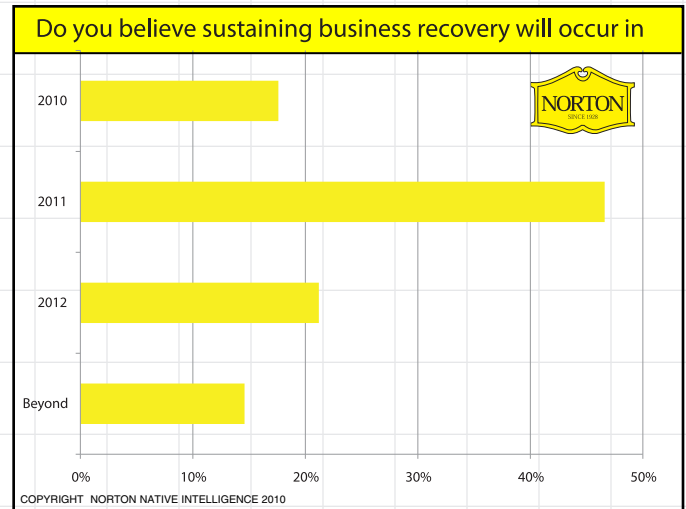
	YES	NO
Hiring	24.5%	75.5%
Expansion	30.0%	70.0%
Production	59.0%	41.0%
Cut Backs	23.1%	76.9%



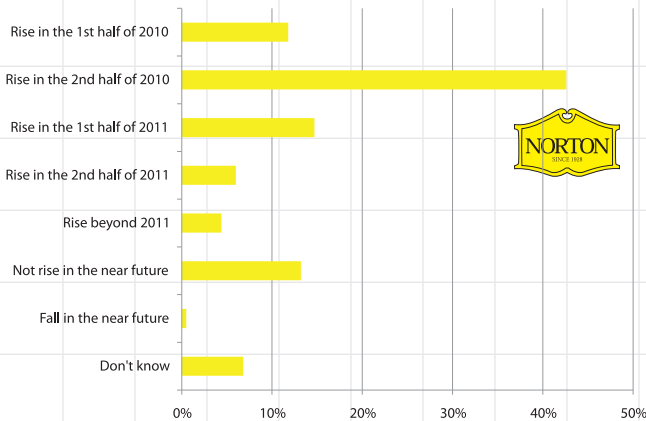
Norton Native Intelligence™ interprets this response to mean we can expect both continued business tightening/cost control and at the same time experience a slight uptick in production. Doing more with fewer...cutting overhead in order to increase revenue and profits.

Our questions relating to changes in business and consumer patterns were also interesting, 55.6% of the respondents did not “give up” any normal activity in 2009. They did cut back in luxury items, eating out, travel and entertainment. Novel methods of cost control were disconnecting cable, eliminating land phone lines, using more coupons, dropping print media, club memberships, golf, personal trainers, massages, cigars, political donations and trips to Biloxi/Vegas. Many also reduced, but did not eliminate, charitable giving, medical insurance coverage and Internet providers.

While national savings is reportedly up, our question on savings “Have you increased your personal saving in 2009 over 2008?” showed only 42% of the respondents had adjusted their savings upward. Rather than savings, Norton Native

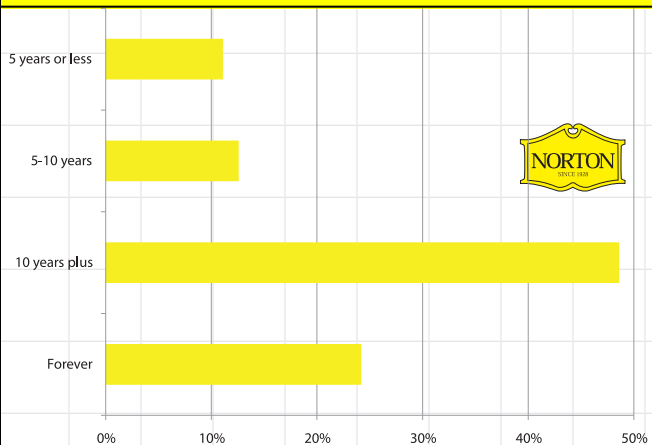


Where do you expect interest rates will be in the near future?



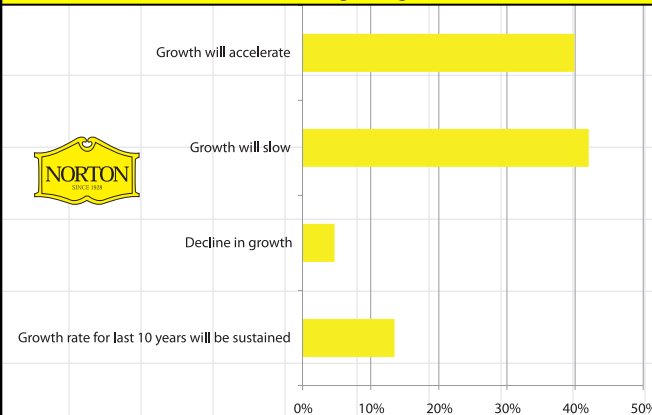
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How long have you lived in this region?



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What do you think about the long term prospects of the North Georgia region?



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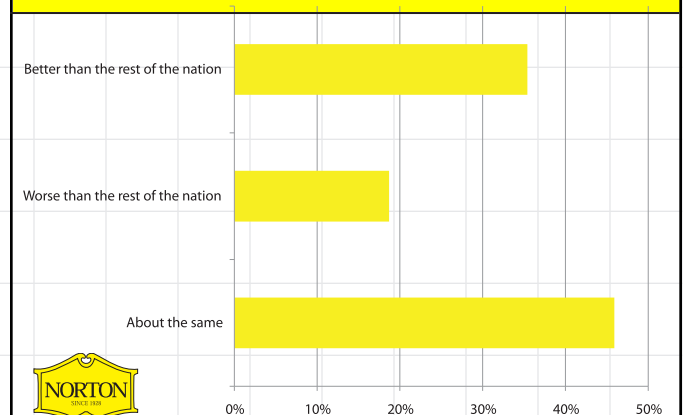
Intelligence™ believes the public has shifted potential savings to offset reduced 2009 income.

The more important question and a reflection of future spending and consumer attitudes was: **“Will your spending habits in the near future resume back to normal or be permanently changed?”** An overwhelming majority 78.5% of those responding said CHANGED. This is a clear indication that the current economic meltdown has shaken the very bedrock of our population. We believe the great recession will linger **long** in the memories of those living today (see Trend 3, The Gilded Age to the Squirrel Age).

Some interesting items that were important to North Georgians that no longer matter:

- Collecting and drinking fine wine
- Prestige and prominence
- Climbing the corporate ladder
- Expensive Christmas gifts
- Competing with the Joneses
- Jets
- BRAND NAME CLOTHING
- Bulldog Football (We're Tech Fans)
- Expensive toys (cars, boats, etc.)
- Keeping silver polished
- Driving a vehicle with less than 100,000 miles
- Getting nails done, or having fake nails
- The latest 'whatever'
- Watered yard
- Housekeeper
- WHO CONTROLS CONGRESS
- Working 12 to 15 hours per day
- Having state of the art computer systems
- Retirement
- Saving for a vacation home
- Shopping just for fun
- Premium channels on cable
- Material possessions
- Tasseled loafers
- Getting that next BIG home

How do you believe North Georgia has performed in this economic correction?

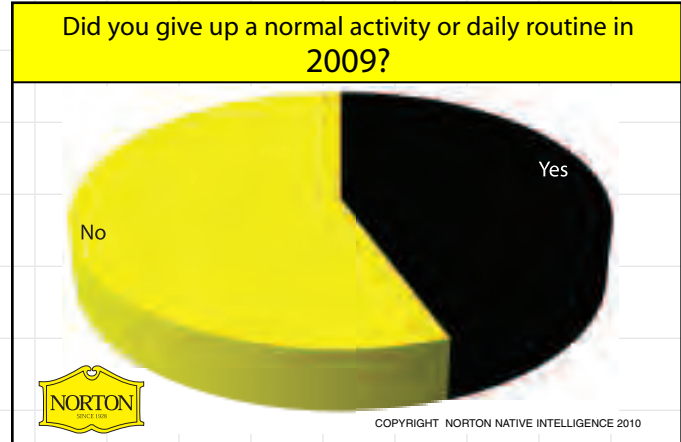


Finally we asked the question: **“What is the most pressing issue for North Georgia in 2010 and why?”** The consensus was clearly three issues.

JOBS/EMPLOYMENT
WATER
HOUSING

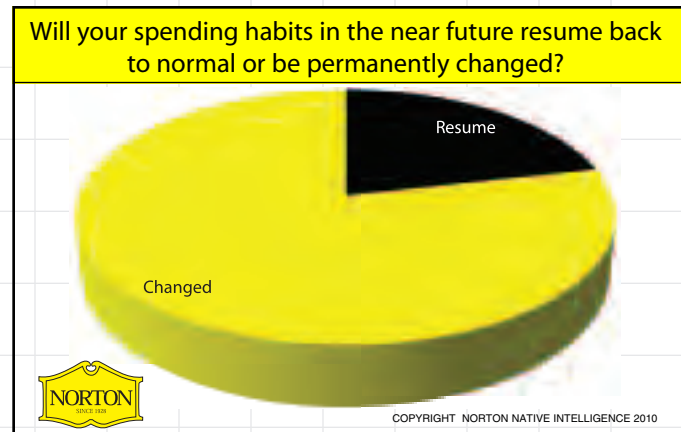
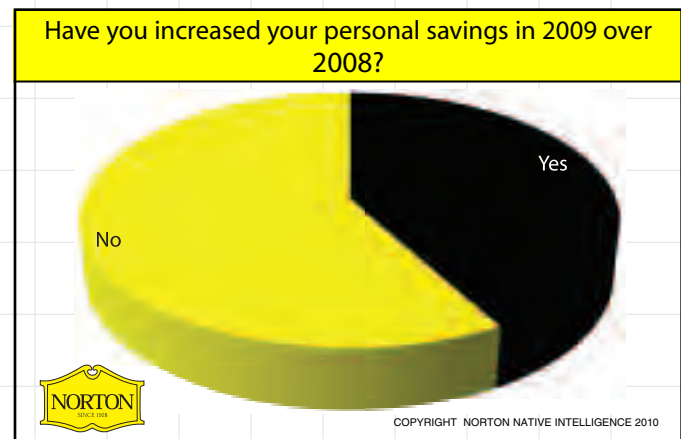
A sample of the comments on these major issues include:

- Jobs. There has been a lack of success in attracting industry that will provide meaningful blue and white-collar jobs to our region. The recent unemployment data would indicate continued 10%+ unemployment for Georgia in commercial & residential growth. For homebuyers to be confident again, businesses need to hire more.
- How to get the financial sector to realize that if they would forgive the rates that the adjustable mortgages created and subsequent defaults and charge simple interest the whole mess would likely clear up.
- Attracting business to the area in order to move forward in absorbing vacant space as well as trying to develop more jobs for qualified people. Way too many people out of work now. Bring in more manufacturing jobs as this has been hit the hardest, even if it means giving tax relief to the remaining ones. Employment rate – high unemployment leads to family economic instability, increased demand for limited health services.
- If jobs are not regenerated, then the economy will only get worse. There will be a second wave of foreclosures. Small businesses are going to go out of business and the majority of Georgia jobs will be gone.
- Getting banks to lend. We will do the rest.
- Without funds to start new projects, any hope for growth is eliminated.
- Keeping property taxes at 1% of real value.
- Uncertain water supply.
- Unemployment – There will be no incentive for people to stay in North Georgia without a job market.
- Unemployment – With so many people out of work, Buyers cannot buy which means Sellers cannot sell.
- Infrastructure and Water!! Without water we cannot grow.
- The housing industry because of the enormous impact on jobs in this area.
- Water will be the long-term resource that either stimulates growth or restricts growth.
- New houses unoccupied and foreclosure houses. Trying to get them off the market.
- Planning for additional water sources. Turning foreclosed abandoned space into new businesses and develop Home Sales because of rising unemployment.
- Water. It is a limited resource and our rights to Lake Lanier water are in jeopardy.
- Begin to build houses once again, re-employ people, stimulate commercial spending and growth.



- Even though the lake is at full pool right now, I think we will continue to have water issues.
- Economy; if we do not get the economy back on the right track, the jobs, the housing industry, the banking.

Norton Native Intelligence™ appreciates those who participated in our sentiment study on North Georgia. Clearly, while we have issues, the mood is on the upswing and the resolve of the people in our region is to drive through it.



A DECADE OF VIBRANT CHANGE

It's the turn of the decade. Like the change of the seasons; in like a lion, out like a lamb. The decade 2000 to 2009 was a blustery March wind of growth, expansion and change. The roaring March winds brought a new vibrancy of business and industry, hordes of energetic new citizens and an acute appreciation of the region's limited natural resources, historical foundation and human community fabric. And like the change of seasons we saw the growth engine spit, spat and sputter if not grind to a halt as the national economy cooled.

Norton Native Intelligence™ thought it appropriate as the decade turns, to reflect on the significant events that occurred from 2000 to 2009, the Giants (leaders) that helped boost and shape our region and the Leading Trends over the course of the last decade. While the Norton firm has published 23 successful North Georgia Forecasts, we, over the last ten years or so, adopted the David Letterman format of **Top Ten**. So, while we covered a variety of micro and macro trends over the past years, in a review of the great 100, we believe ten trends stand out, stand tall above the others. These include, in no particular order:

While we invite our readers to go back and review, in detail, the original editorial on each of these Trends (you can download any Norton report back to 1995 by going to www.nortoncommercial.com/intelligence.html) here is a brief thumbnail of each Trend.



of marketing, advertising and economic development can overcome a **thirsty** people (See 2010 Trend 5.)

1 THE AWAKENING GIANT OF GWINNETT...

The rise of Gwinnett was chronicled several times 2003, 2004, 2009. The county surged in population and business growth 2000 to 2010. Norton Native Intelligence™ pegs Gwinnett population circa 2010 approaching 750,000 people. The affluent middle class population coupled with the business dynamics and a retail market give Gwinnett “super power” status which has a profound rippling effect on all surrounding counties.

2 LAND RUSH...

Our 2004 Forecast foretold of economic investment, rush of land speculation and land appreciation. Our 2005 Forecast spoke of a rising Appalachian aristocracy, land based gentry resulting from the push up of land prices. While the demand for residential land has fallen off a cliff 2007 – 2009, land for gentleman farms and in the path of long-term growth still fares well.

3 WATER...

Norton Native Intelligence™ wrote about water resources, conservation and the value of water eight times in the past ten years. Our recognition of these trends seems at times like cries in the wilderness. Water gives life and without water, water planning and wise stewardship of our water resources no amount

4 REAL ESTATE, THE NEW STOCK MARKET...

The flight of capital to real estate as a hedge for portfolio diversification was smart and sound. The viewing of real estate like one would view a stock portfolio was, however, flawed. Real estate, homes, land, second homes or investment property are in our opinion **long-term** wealth creating instruments. That's why home mortgages are 20 and 30 years and depreciation schedules 29 to 39 years. Real Estate's underlying utilitarian fundamentals remain strong. Long-term appreciation and scarcity endure.

5 NEXT GENERATION CITIES...

In our 2001 Forecast we pointed out the emergence of what Norton Native Intelligence™ referred to as Next Generation Cities. 21st century townships springing up affecting demographic migration, property values, politics and business-retail expansion. We saw this trend legitimized with the transition of Shake Rag transformed into the area called Johns Creek and then into the incorporated city of Johns Creek.

6 THE URBANIZATION OF APPALACHIA...

Associated with the land rush in all parts of North Georgia is a new breed of resident, a new energy of retail and business support and a growing demand for the comforts of urban services in the rural enclaves of the mountain region. In ten years we've seen strings of roadside fruit stands transform into a network of wineries, farm-to-table produce vendors and the growth of high end restaurant fare. Boutique retail and an upscale support service industry sprang up in every corner. Million dollar castles crown mountaintops and gentleman farms now fill our valleys.



10 THE CHALLENGE OF LEADERSHIP...

With one foot in rural Appalachia and one foot in 21st century Atlanta, the old southern mountain guard is losing power, being replaced by **newcomers**, business executives (retired and active) and an energetic horde of mid-baby boomers. We see at times a convergence of forces with various contingents rallying for or against issues like storm water, rising taxes, land use, zoning, water, road widening, industrial recruitment and sewer. In the past decade we also saw bold leadership rise above the noise and smoke and push through generation effecting policy and laws. Visionary leadership must not stop with the end of the decade but continue well beyond.

TOP 10 SIGNIFICANT EVENTS OF THE DECADE

These events were selected by Norton Native Intelligence™ and the Norton Commercial Group as the most significant region altering events 2000 to 2009.

- 1 The opening of the Mall of Georgia and the launch of the region's biggest economic catalyst.
- 2 Toyota locating a parts manufacturing facility on 150 acres in the Valentine Farm Industrial Park – Jackson County.
- 3 The Corps of Engineers Environmental mandated cap on the number of boat docks with the ceiling reached in 2009.
- 4 The acquisition of a second Northeast Georgia Healthcare System campus in Southeast Hall County.
- 5 Wal-Mart's nearly completed expansion and retail category domination throughout North Georgia.
- 6 Relocation of the Atlanta Falcons Football Headquarters to Flowery Branch.
- 7 The new City of Johns Creek, covering Forsyth, Gwinnett and North Fulton County.
- 8 Del Webb's purchase and development of the Villages of Deaton's Creek (a 1300 Home active adult, live, work, play community.)
- 9 The master planning and initial rezoning of parts of the Glade Farm (a 7000 acre holding in Northeast Hall County.)
- 10 Sewer extension up GA 400 and into North Forsyth opening up the next frontier of development.

7 AFFORDABILITY CRISIS...

Housing costs a lot in North Georgia if not the nation and the average cost of a home sold in North Georgia has soared. The costs associated with housing are projected to continue to climb and our much needed affordable workforce housing will continue to have intense pressure.

8 THE RISE AND FALL OF THE HISPANIC INFLUENCE...

In 2000 the U.S. Census indicated that 60,546 residents of our region (not including Gwinnett) were of Hispanic origin. Norton Native Intelligence™ private poll put the actual number as double that number. The power of the Hispanic pulse, the importance of the segment as a labor force, the growing home purchase trend and the Hispanic population boom were successfully chronicled in past Forecasts 2001, 2003, 2004 and 2008. While we have seen an exodus of a portion of the Hispanic numbers (down 25,000-30,000) the remaining Hispanic population is settling in, becoming Americanized and raising the next generation of North Georgians.

9 MEDICAL MANIA...

Once upon a time babies in our region were born at home and any other medical need beyond the control of the country doctor was handled by Atlanta hospitals which were 40, 60, 90 & 120 minutes away. The medical market's delivery system has seen radical changes in the last ten years and the medical market's economic footprint is wide and large. No part of our region is untouched with physician networks spreading their tentacles through the river valleys and mountains of North Georgia. This segment of growth, perhaps as an industry, can now be placed just behind poultry as an economic engine.

TOP **10** GIANTS OF THE DECADE

THE POWER TO PERFORM

For the past decade Norton's Native Intelligence™ annual Forecast has recognized 10 Next Generation Leaders. This year we have reviewed our past selections, studied their broad influence and community development in order to select "The Top Ten of The Decade." While many individuals have through their efforts advanced our region or their specific community, Norton's Top Ten have had, in our opinion, a statewide reach and influence. Their efforts in business, industry, philanthropy, education and environment are well worth this recognition.

These diverse men and women are carefully considered and selected because of the power of change they wield or the impact they play on the changing landscape of North Georgia. **Power**, influence and long-range impact are subjective. The wide range of people on our Native Intelligence™ list is not necessarily there because of financial holdings, political conquests or Norton clients. In order to earn a spot in our Native Intelligence™ ranking, an individual has to directly influence the region in which we're living – whether it's their economic influence, community contribution or public service.

"The Power to Perform," Norton Commercial Brokerage's slogan, applies equally to the decade's list of Native Intelligence's™ Top Ten...they have the Power to Perform...for all of us.

WAYNE MASON – *Gwinnett County*. Huge land development commander, in multiple North Georgia communities a conservative capitalist who has stimulated and pushed the urbanization of the North Georgia region.

JIMMY TALLENT – *Union County*. Assembled a powerful network of community oriented banks (UCBI) serving needs of local businesses and a prosperous growing population.

PAT GRAHAM – *Braselton*. As mayor of Braselton she guided the community into the 21st Century and created the foundation for what will be I-85's largest city circa 2050.

RANDALL PUGH – *Jackson County*. Through his leadership of rural electric Jackson EMC, he created a powerful urban economic business recruitment program.

JIM WALTERS – *Hall County*. Businessman, political supporter, developer, banker and philanthropist, his roots run deep with strong extended branch foliage, covers a wide swath of North Georgia.

JACKIE JOSEPH – *Lake Lanier*. We best call her Queen of the Lake. Jackie and her many friends are the voices of deep, clear water and a vibrant regional economic engine.

PAST RECOGNITION RECIPIENTS

Gus Arrendale	Steve Gooch	Eugene E. "Chip" Pearson, Jr.
Scott Atherton	Pat Graham	Sonny Perdue
Tommy Bagwell	Joe M. Hatfield	Val Perry
Charles Bannister	Tom Hensley	Randall Pugh
Phillip Beard	Ronnie Hopkins	Jeff Quensenberry
Pat Bell	Bill Johnson	John "Jack" Rooker
Mike Berg	Jackie Joseph	Jennifer Scott
Dennis Bergen	Bryan Kerlin	Angela Shepherd
Hunter Bicknell	Charlie Laughinghouse	Ron Seder
Bill Blanton	Chris Lovelady	Pam Sessions
Linda Blekinger	Virgil Lovell	Brian Shuler
Stan Brown	Chris Maddox	Tom Slick
Jim Butterworth	Scott Martin	Wendell Starke
Sam Chapman	Wayne Mason	Burton Stephens
Joe Campbell	Tony Mastandrea	Dennis Stockton
Casey Cagle	James McCoy	Jimmy Tallent
David Claybo	Mary Helen McGruder	Kevin Tanner
Broughton Cochran	Russell McMurry	Erwin Topper
Mimi Collins	Charlie Miller	Dick Valentine
Carlyle Cox	Steve Mills	Russell Vandiver
Mike Cottrell	Billy Morse	Jim Walters
Al Crace	Michael D. Moye	Alan Wayne
Jonathan Davis	Chris Nonnemaker	Dewey White
Kit Dunlap	Tom Oliver	Rich White
Mike Evans	Danny Otter	Philip Wilheit
Henk Evers	Dudley Owen	Virgil Williams
Jim Gardner	Donald Panoz	Martha Zoller
Paula Gault	Lamar Paris	
Gary Gibbs		

PAULA GAULT – *Forsyth County*. While now retired, she is credited as the architect, engineer and contractor for the new Forsyth school system. She and her team created a legacy of powerful test scores and quality education.

PHILIP WILHEIT – *Hall County*. Throughout the decade Wilheit was a one man army for strong economic expansion, business, development and community vibrancy. His reach to the state and national level kept North Georgia as the Leader of the Pack.

PHILLIP BEARD – *Buford/Gwinnett County*. Mr. Beard's single-mindedness and driven vision propelled Buford from rough manufacturing to a powerhouse business center. That legacy will last for generations.

SONNY PERDUE & CASEY CAGLE – South Georgia's political veteran and North Georgia's hometown son have transformed Georgia politics from a one horse to a two horse race. Business smarts is on the state level – it is, of course, Georgia's largest business and now acts like it.



A HOUSING SOLUTION AN ECONOMIC SOLUTION A NATIONAL SOLUTION

Housing, home ownership, construction, renovation, development and the chain of material goods filling them are the bedrock of the American Economy. Some reports place the housing industry and its associated components accounting for as much as 30% of the Gross National Product, GNP. **Growth**, America's growth may also be our nation's largest industry when you take into the mix lending, construction, marketing, household goods and services.

The recent boom to bust economic collapse sharply points to the importance of a stable housing market and the financial security of America's citizens. The shaken public has been pelted with soaring foreclosure rates, the exposure of predatory lending practices, hyper inflated home prices—then collapse and mortgage rate interest resets. The homeowners' tax credit program is predicated, upon expiration, to successfully remove some 4 million homes from inventory, but inventories of unsold properties remain at historic levels.

New Homes & Condos Available ⁽¹⁾	500,000 Homes
Resale Homes For Sale ⁽²⁾	3,500,000 Homes
Phantom Foreclosure Inventory ⁽³⁾	1,500,000 Homes
Vacant Developed Lot Inventory ⁽⁴⁾	2,500,000 Lots
Potential Home Mortgage resets 2010-2012 ⁽⁵⁾	3,000,000 Homes
Foreclosures 2009 ⁽⁶⁾	2,600,000 Homes
Source 1 - Census NAR Estimates 2 - National Association of Realtors 3 - Forbes Magazine 4 - Metrostudy 5 - Credit Suisse 6 - Realty Trac	

In today's economic climate and investment uncertainty, personally held IRAs, Roth IRAs and 401K plans, while protected from access, have also taken a performance beating. It is estimated that over 1.4 trillion dollars is held in such accounts. The values were decimated in 2008 with slight recovery in 2009. More over, substantial amounts have been moved out of the stock market or indexes and are sitting sidelined, untouchable, stagnant in value, but protected from further market losses.

The **bold** solution to the housing based economy is to create a new IRA class of product called the **HOME IRA**, allowing a portion – not all – of one's personal IRA, SEP IRA or 401K to be invested in an individual's personal home, second home or rental property. This new investment class, with modern technology can be tracked separately as a unit of a taxpayer's retirement account just as stock indexes, mutual funds or long term CDs are recorded. While not as liquid as other investments, the HOME IRA provides the participant a degree of safety, security and comfort unlike other investment vehicles.

Of course, many safeguards would need to be written into the legislation and IRA mechanics such as:

- No more than 50% of cumulative household IRA, 401K or SEP IRA could be applied to a **HOME IRA**.
- There would be a prohibition of home equity loans against the pledged collateral while the **HOME IRA** is in use.
- The **HOME IRA** could only be used for homeowner down payment, loan reduction/restructure or substantial remodeling, but ordinary upkeep or repair of a home would be prohibited.
- A required third party appraisal for price/investment verification every five years would help monitor and adjust portfolio value.
- Qualifying properties must be within the 50 US states.

The benefits of such a HOME IRA product would ripple through the American economy thousand fold.

- The **HOME IRA** stabilizes the housing market, stimulates both new purchases and major home renovation while continuing to remove outstanding product inventories.
- The provision would allow **HOME IRA** funds to pay down large outstanding mortgages freeing up ordinary taxpayer cash to flow back into the American economy thus stimulating the same.
- Allows the taxpayer using **HOME IRAs** to diversify their personal retirement portfolios through real estate ownership.
- Encourages lower and middle class income groups to invest through the **HOME IRA**, 401K products in order to take future advantage of real estate investment opportunities in personal home ownership.
- The "renovation" feature stimulates the home building, construction component and products supply chain and strengthens small business resulting in stabilization of employment which moves the economy toward full employment.
- Returns small home rental opportunities and investment to the middle class taxpayer and allows local taxpayers to invest money back into their local economy. It also creates a pool of potential rental home inventory, reducing the number of resale homes and provides affordable housing opportunities.
- Stabilizes the hard hit second home markets in Colorado, Florida, the mountain cabin regions and along both coasts, through the access to IRA/401K funds and makes those investments part of a taxpayers overall retirement program.

Conclusion

It is imperative the US economy return to its vibrant dominance on the world stage. Domestic production and employment are critical to the full recovery of our economy and real estate is the leading and integral component. The HOME IRA product and modification to current IRA, 401K regulations jumpstarts if not accomplishes America's goal for full recovery.

*** This idea started from a series of conversations with retired banker and investor Jeff Ash, Ash Family Investments.**

WHERE WE ARE NOW

THE CHALLENGES AHEAD...THE BRIGHT POINTS OF LIGHT SURROUNDING US

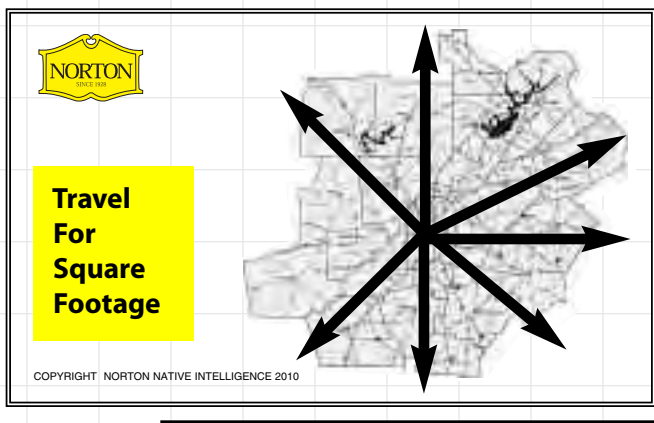
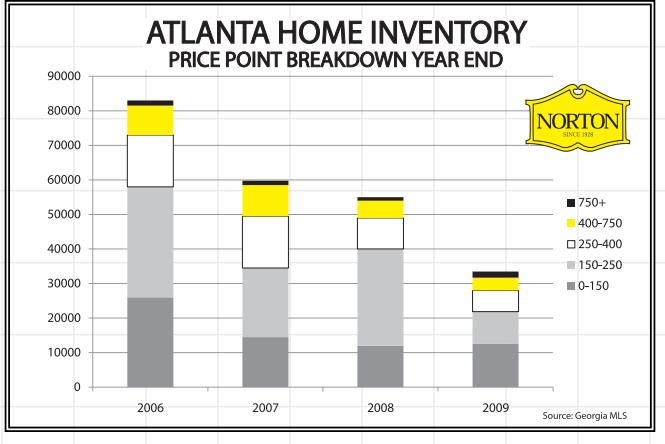
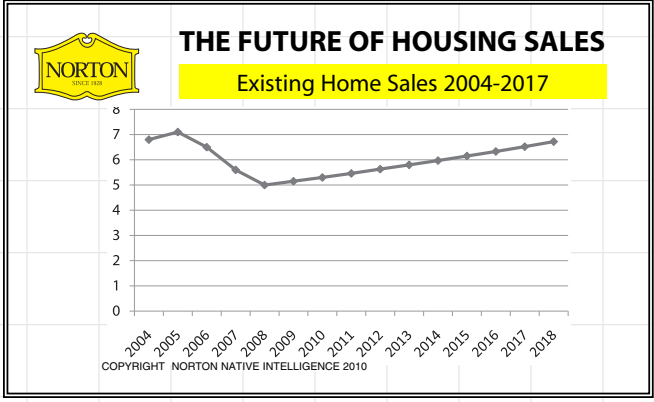
We've been at this forecasting business for a while now; 23 years publishing Norton Native Intelligence™ Forecast, almost a decade earlier reporting on the Metro Atlanta market. While it's tough to peer into a murky crystal ball year after year, this year is especially difficult and more so IMPORTANT to understand what's going on. The reality of the markets, products and regions are essential to understanding multiple "bottoms" and recovery forward.

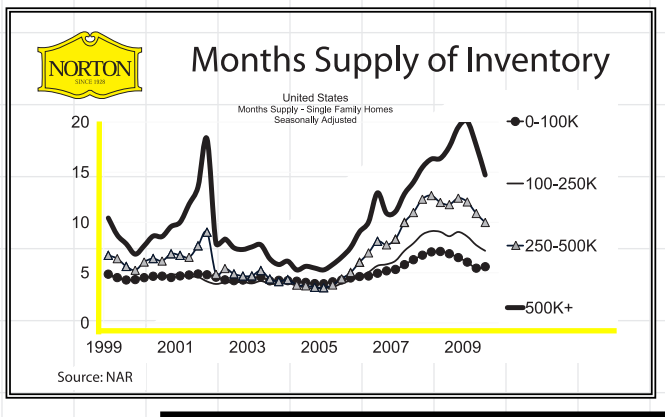
Chaos (kā-ōs') is the uncertainty sparked by uncharted territory, economic recession and bubbles of opportunity.

While we are in an era of chaos, we are also in an era of high think. Powerful forces of change are instrumental to solving a pyramid of issues confronting business and human civilization as we know it. But the greatest minds are in deep think, problem solving and ingenuity. History teaches us out of chaos comes innovation and a rekindled human spirit.

"It is not the strongest of the species that survives, nor the most intelligent, but rather the one most adaptable to change."
 — Charles Darwin

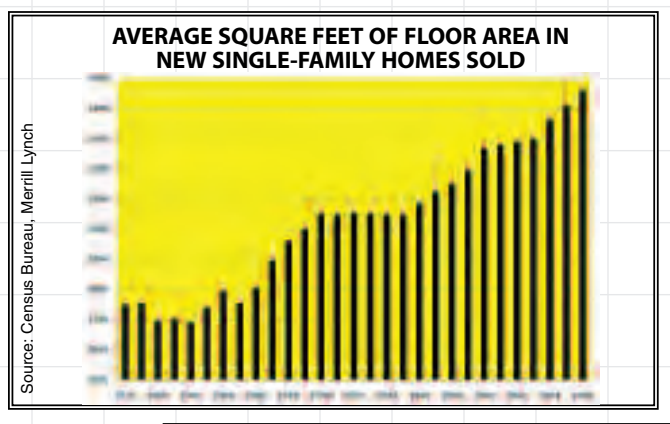
So what lies ahead?





HOMES

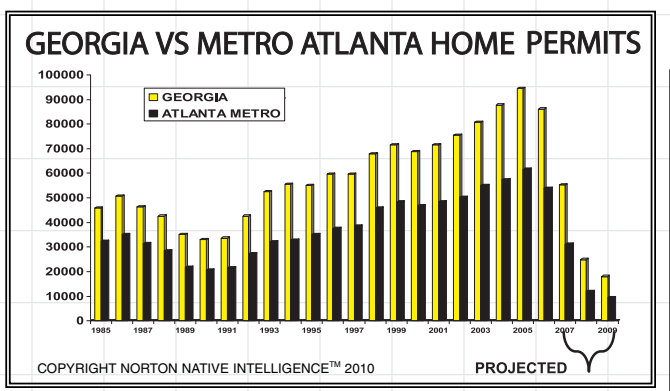
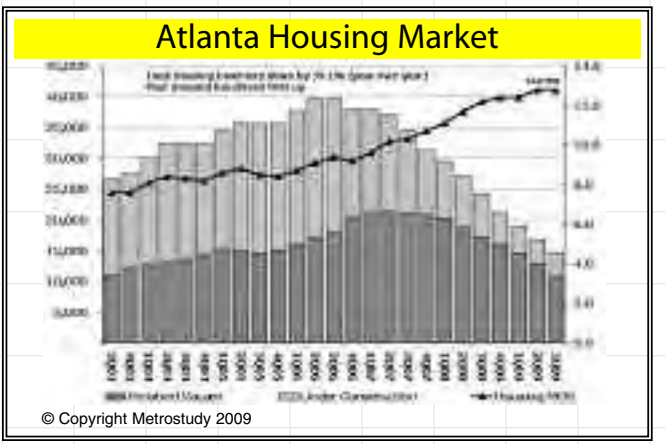
- New home inventory is dropping like a rock with limited new construction anticipated in 2010, 2011 and 2012.
- Residential home values under \$200,000 have stabilized, and in some cases rising.
- Single family home foreclosures have slowed in the 4th Quarter of 2009 and should remain at 2007 levels for the next 3 quarters, then dropping.
- National contractors of new homes will dominate the Metro Atlanta permit activity 2010 to 2015 approaching 50% of all new activity.
- The custom "one off" builder will continue to find customers for their non-production non-homogenized product.
- The average new home buyer will not find an array of standing spec homes, rather will buy a pre-sale (with substantial earnest money) or enter into a construction-perm agreement with a lender, to buy a future delivered house.
- The Atlanta market has way too many standing finished lots which may take years to work through. Expect no horizontal development until 2014 or 2015.
- 70% of the builder community has evaporated. The remaining have capital/financing issues.
- There are too many lots in Tim-buc-too.
- Clear cutting of land for development is not market acceptable protocol. The buying public wants trees and space.

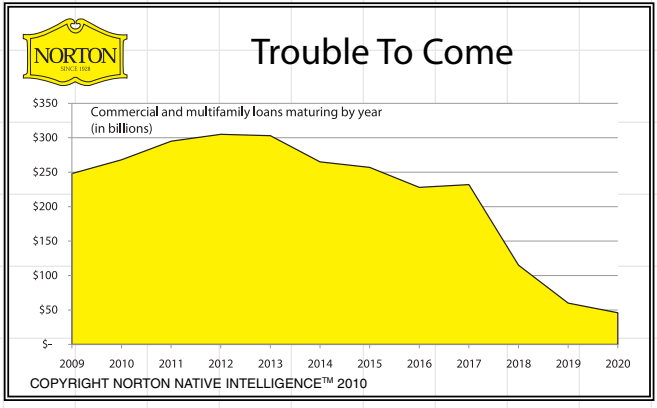


DEVELOPED LOT STOCK

• ATLANTA DEVELOPED LOTS	149,706
• OTHER GEORGIA CITY LOTS	85,000
• SECOND HOME LOTS	60,000
•	294,706

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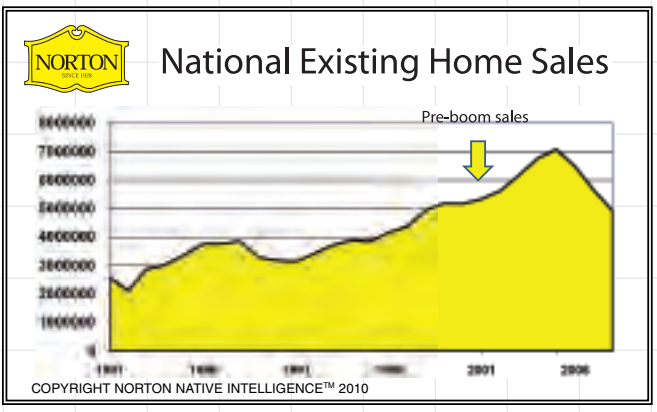




- More people would be buying if they could borrow money. Cash must replace the blood in the streets.
- Custom homes. There are still plenty of people who have enough money to build their dream home or their second home.
- At some point, the banks will be selling REO finished lots at prices where builders can make a profit building homes.
- Nothing will get built over \$300,000 for a long time.
- Nationals are building for \$45 to \$50 per sq. ft. which is almost impossible to compete.
- Pride of ownership must be restored: bankruptcy/foreclosure no longer is a social stigma.
- The rapid exchange and access to sales information means more transparency and therefore a more stable marketplace.
- The deleveraging of consumer debt and an increased focus on consumer savings will mean consumers will postpone discretionary purchases until more certainty returns to the economy.
- The psychology of home ownership has changed due to the decline in home prices. Ownership will be viewed as a lifestyle decision rather than as an investment decision.

LENDING CREDIT...AKA MONEY

- Consolidation forces will change the branch banking delivery system reducing branches by 15 – 30% in all parts of Georgia.



Norton Guaranteed Mortgage Loan Affordability

This chart assumes no other monthly liabilities, such as automobile payments, credit card payments, etc. Also, assuming the US average credit score is 651, which fell from 2008.

Annual Income	Maximum Qualifying Loan Amount	Payment
\$40,000	\$168,900	\$933
\$50,000	\$211,000	\$1,166
\$60,000	\$253,000	\$1,400
\$70,000	\$295,000	\$1,633
\$80,000	\$337,000	\$1,866
\$90,000	\$380,000	\$2,100
\$100,000	\$422,000	\$2,333

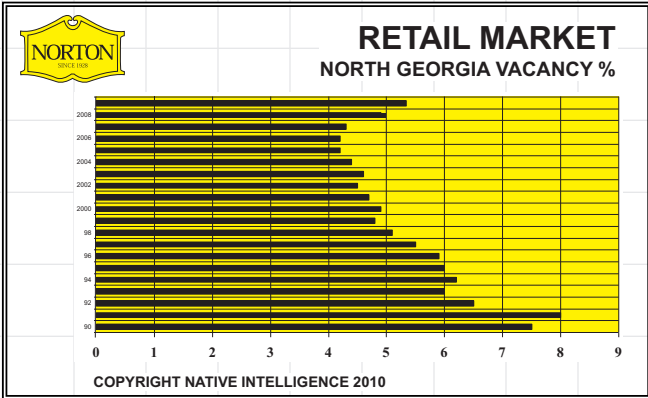
Payment excludes monthly property taxes, homeowner's insurance, and mortgage insurance.

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EFFECTIVE BUYING POWER 2009

COUNTY	2009 Population	RETAIL SALES	PER CAPITA INCOME
Banks	16,996	\$ 136,171,175.00	\$ 19,948
Barrow	72,946	\$ 579,330,169.00	\$ 22,253
Cherokee	224,216	\$ 2,786,997,817.00	\$ 35,423
Clarke	114,608	\$ 822,347,533.00	\$ 20,998
Dawson	22,699	\$ 221,046,201.00	\$ 26,827
Forsyth	175,192	\$ 2,718,513,923.00	\$ 45,401
Franklin	21,914	\$ 162,040,284.00	\$ 19,126
Gwinnett	828,710	\$ 10,199,872,067.00	\$ 34,952
Habersham	44,737	\$ 339,052,975.00	\$ 20,568
Hall	186,789	\$ 1,556,245,671.00	\$ 23,451
Hart	24,626	\$ 192,533,981.00	\$ 20,025
Jackson	63,762	\$ 497,076,115.00	\$ 21,522
Lumpkin	28,251	\$ 216,940,891.00	\$ 21,545
Madison	28,837	\$ 218,958,353.00	\$ 19,689
Oconee	34,510	\$ 377,232,833.00	\$ 30,354
Pickens	31,507	\$ 290,716,264.00	\$ 24,831
Rabun	17,704	\$ 162,477,801.00	\$ 23,614
Stephens	25,695	\$ 184,353,393.00	\$ 19,000
Towns	11,490	\$ 100,359,083.00	\$ 23,083
Union	22,478	\$ 193,473,251.00	\$ 21,670
Walton	89,665	\$ 764,788,647.00	\$ 23,588
White	26,722	\$ 200,522,159.00	\$ 20,230

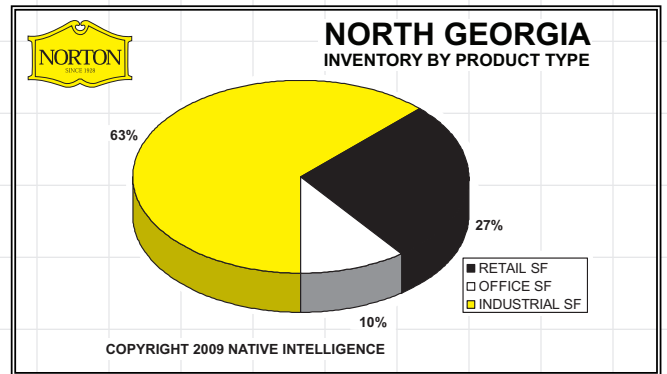
Source: US Census



- Home credit returns in 2010 with more government loan programs designed to help the average and below borrowers purchase homes.
- Jumbo mortgage interest, \$418,000+ will remain high for the foreseeable future.
- Stress on the small community banks and high scrutiny on the large banks by the regulators puts the squeeze on the business borrowers.

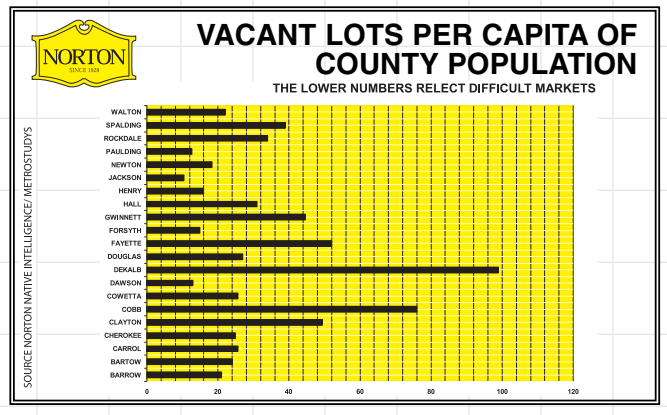
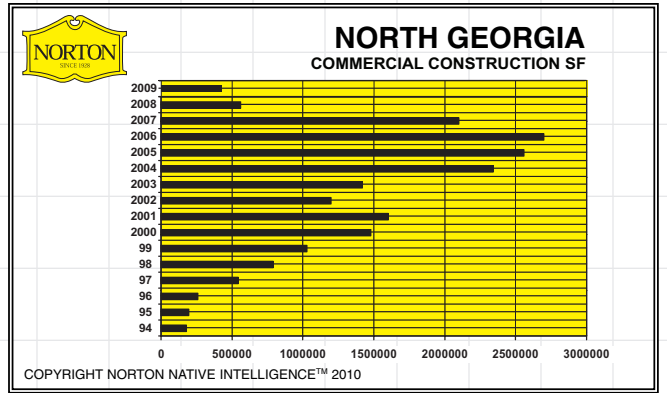
RETAIL GENERAL

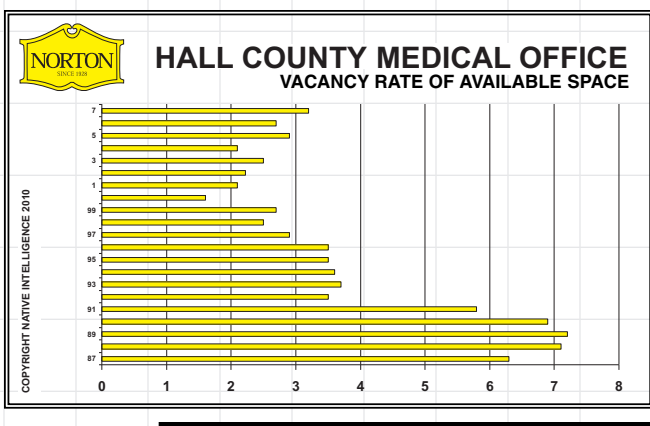
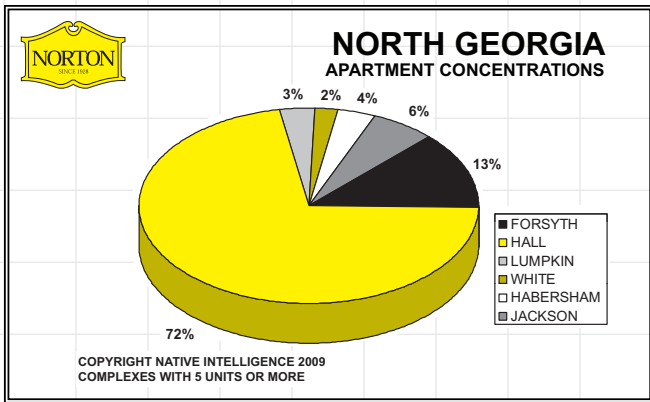
- Stores have smaller inventories and will continue to sharpen their capital reserves. Credit for inventory will shrink floor space for goods and back warehouses will remain empty until consumer spending resumes.
- Expect foreclosure fever to hit small unanchored retail, built largely by amateur developers with high (\$20+) rents.
- Small retail leasing, mom and pop entrepreneur leasing will be strong through 2015. Norton phone calls for this product have steadily increased through 2009.
- Everyone has a start up business but the end result may be too many consignment and thrift stores. Look for niche opportunities, especially needs and necessity services.
- Mom and Pop retail is looking for 30-50% rent reductions, short term leases and ready to lease tenant finish.



NATIONAL RETAIL

- True retail numbers for 2009 and holiday sales will signal recovery or caution. Norton Native Intelligence™ expects major retail store repositioning in 2010 through 2012.
- We expect a major mid-size retailer shake-out post Christmas 2009.
- Most national retailers, big box and discounters have delayed, not cut, 2010 and 2011 expansion plans.
- Expect entire businesses to realign or evaporate.
- Main Street cross intersections will be crucial to successful retail lot sales. Location is fundamental to success.
- Credit tightening will affect retail store expansion. Retailers are now using their own capital for inventory, tenant improvements and start up losses rather than rely on the credit markets.
- Fast food and gas providers are in a frantic expansion mood with new interstate connected locations. They are also dropping





the frills like playgrounds (also a liability issue.) We see a landscape of discount gas and dollar menu retail in North Georgia's future.

- Major discounters and food stores are creating “reverse build to suits,” squeezing out developer profits and packaging the investments to press down the effective rent.
- There is growing power in regional grocery stores that relies on 10 to 25 mile trade area draws.
- Value priced is IN, “Luxury goods for Less”
- Luxury affluence goods are toast for 5 to 10 years as the market fully recovers. No short term solution for movement of high priced goods and high priced rents.

HOTEL/MOTEL

- A scary future is unfolding. Luxury hotels can't maintain their level of services with 20 to 30% occupancy and business travel has been cut by at least half.
- Small niche business-oriented hotels or regional small convention trade hotels will hang on, but expect little to ZERO new development.
- The “stay close to home vacation” will help the North Georgia motel and Inn business, but we expect no surge. 2008 – 2009 levels will prevail for years.
- Investor owner/operator sales have also slowed, but well-capitalized buyers are on the sidelines for the 50 cents on the

dollar for well-located properties. 2012 – 2013.

- Business travel is also affected by government scrutiny on luxury perks and the emergence of video conference. Business travel could drop down 60 to 70% from 2006 levels.

LAND

- Prices are taking a hit with the isolating FDIC and foreclosure liquidations. This does not mean all values have retreated but the lack of sales velocity affects Real Value.
- Agricultural land still is holding its utilitarian value; bottom land, poultry and cattle production land values seem to endure.
- Land buyers must be CASH buyers in that there is no land lending. We see limited heartbeat activity and a slow pulse for agri-based property. This will lead to strong land seller financing as a perfect means to marketing obstacles.
- Strong government interest in park and recreation land, parks, green space, landfill expansion and green space opportunities.
- No one is in love with anything. Land is a commodity, acres and acres holding the world together. The buyer MINDSET is one price, then walk up the road to the next one.
- Land sales take a holiday.
- Lot and land prices that have sold are retreating to '76-'78 prices.

RETIREMENT-ACTIVE ADULT

- While a strong market it is all about price.
- The baby boom retiree will surge the market but with longer lifelines the mindset is to hoard for a longer life and buy price not size or luxury.
- There are many retirement/active adult developers entering the market converting traditional development, repackaging marketing programs and converting amenity packages to suit the retirement buyer.
- The success of Sun City Peachtree (Spalding County), Village of Deaton's Creek (Hall County) and the Del Webb project on Lake Oconee make Atlanta an emerging retirement home Mecca.
- Retirement home, personal care home development follows the active adult product and will see strong emergence 2011 to 2020.

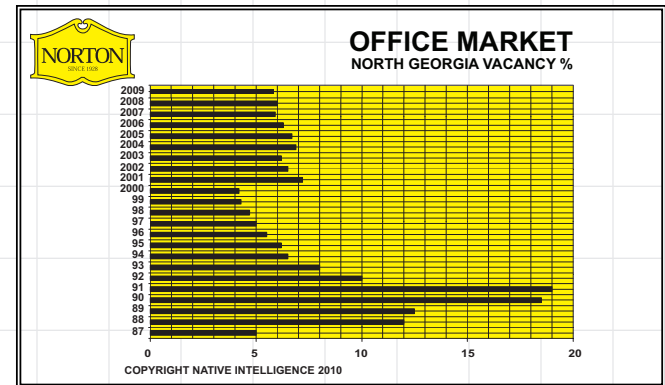
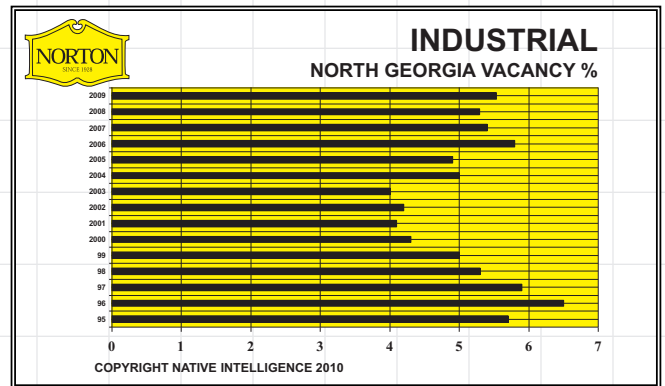
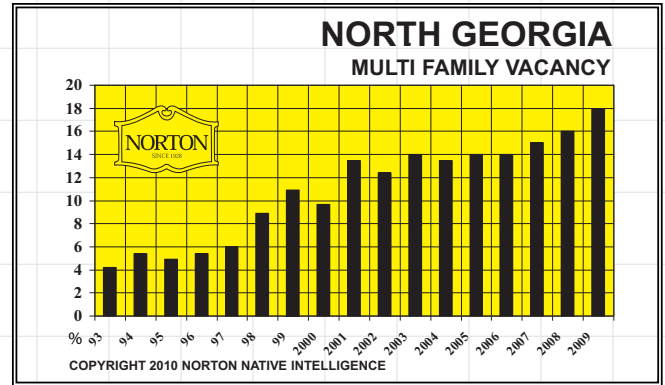
INCOME PROPERTIES


- While there is not a lot of product on the market that could change quickly with tightening bank credit and lending requirements, a spring foreclosure wave could change this picture overnight.
- Investor prospects outnumber properties 100 to 1 as everyone is out to steal something. Well-leased property might drop a cap point or two, but fundamentally properties are holding value.
- The vacant shells of multi-tenant buildings hold the most upside for the small investor.
- Norton Native Intelligence™ sees a number of sole investor/owners looking for a partner as they adjust portfolios and redeploy capital.
- Limited to no credit exists for income properties (not the same for user/owner occupied structures). This is most likely temporary through 2010 and 2011.
- The value of a property is the bank and investors' confidence in the tenants, nothing else.

- Apartment occupancy has plummeted with bankruptcies, job loss and tenants doubling up. This seems to have stabilized and occupancy on the rise. With limited construction occupancy should normalize 2011, 2012 and 2013.
- Norton Commercial has never seen so much cash...real hard earned cash sidelined. Stuck in mattresses of low yield CD's money market accounts, waiting on a mythical bottom or sign of market confidence sustained good or better news.
- In the isolated income property stressed sale it's not the poor quality of the asset...it was of high quality, rather the owner (seller) was simply two deals ahead of the money.
- Smart strategic buyers capitalize on stress. Zero in on recovery and perform for the long term.
- **If you are a vulture it's time to eat.**

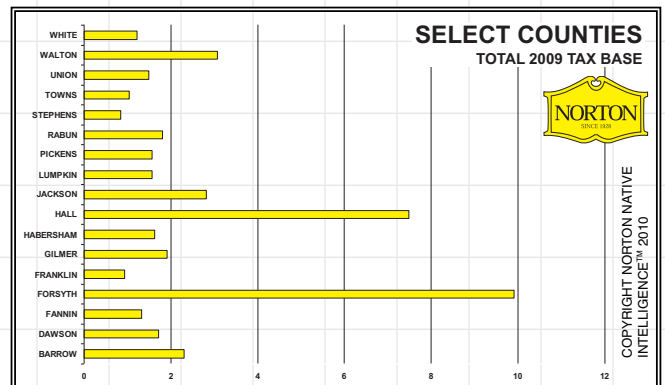
OFFICE SPACE

- Expect nothing to happen in 2010. Most projects in conceptual stage will remain there. Rental rates will hold steady because of the lack of competition and the office efficiencies downsizing really affect a more urban market not North Georgia.
- We see a continued fallout of the banking industry resulting in a reduction of the wide swath of branch banking. Norton Native Intelligence™ forecasts a reduction of 15 to 20 branch banks in 2010 and perhaps 10 to 20 more in 2011. This creates opportunities to reposition other businesses into the largely first class structures.



 North Georgia Millage Rates			
County	Millage Rates	County Taxes for a \$150,000 House	County Taxes for a \$250,000 House
Banks	22.298	\$ 1,337.88	\$ 2,229.80
Barrow	28.663	\$ 1,719.78	\$ 2,866.30
Cherokee	23.656	\$ 1,419.36	\$ 2,365.60
Clarke	34.025	\$ 2,041.50	\$ 3,402.50
Dawson	22.609	\$ 1,356.54	\$ 2,260.90
Elbert	26.491	\$ 1,589.46	\$ 2,649.10
Fannin	18.885	\$ 1,133.10	\$ 1,888.50
Forsyth	20.054	\$ 1,203.24	\$ 2,005.40
Franklin	23.827	\$ 1,429.62	\$ 2,382.70
Gilmer	22.075	\$ 1,324.50	\$ 2,207.50
Gwinnett	35.826	\$ 2,149.56	\$ 3,582.60
Habersham	21.935	\$ 1,316.10	\$ 2,193.50
Hall	23.495	\$ 1,409.70	\$ 2,349.50
Hart	18.821	\$ 1,129.26	\$ 1,882.10
Jackson	28.335	\$ 1,700.10	\$ 2,833.50
Lumpkin	20.572	\$ 1,234.32	\$ 2,057.20
Madison	17.495	\$ 1,049.70	\$ 1,749.50
Oconee	24.011	\$ 1,440.66	\$ 2,401.10
Pickens	23.055	\$ 1,383.30	\$ 2,305.50
Rabun	17.901	\$ 1,074.06	\$ 1,790.10
Stephens	30.545	\$ 1,832.70	\$ 3,054.50
Towns	11.189	\$ 671.34	\$ 1,118.90
Union	15.163	\$ 909.78	\$ 1,516.30
Walton	29.957	\$ 1,797.42	\$ 2,995.70
White	24.665	\$ 1,479.90	\$ 2,466.50

Source: Georgia Dept. of Revenue



MEDICAL OFFICE

- It's boom time in the healthcare industry. Despite looming national healthcare changes, new delivery methods and standards will create continued expansion and demand.
- Look for expansions in alternative medicine, walk-in clinics and outpatient services as well as more physicians co-share spaces.
- We see the co-share movement dentist + chiropractor + optometrist or other innovative combinations to take root.
- Watch for a growing migration as Gwinnett, DeKalb, Cobb and Fulton physician groups into the further reaches of North Georgia.

INDUSTRIAL

- The big box leasing purchase activity will be slow to recover and is directly tied to the distribution of consumer goods (Sears, Haverty's, Progressive Lighting, and Home Depot) and the automotive industry.
- Isolated new industry will occur as the region's labor supply and interstate connectivity are the most important factors for business attractions.
- Despite the hits to automotive and consumer goods, industry sources from most counties report a second half 2009 new prospect surge. No deals yet but bodes well for 2010, 2011 and 2012.

SMALL INDUSTRIAL

- A shell game is afoot as industrial tenant A downsizes to space B where that tenant moved to space C and that tenant bought a foreclosure formerly occupied by user D.
- All industrial tenants are searching for cheaper rent: Gone are the needs for image, profile, elegant office space...Hello utilitarian metal buildings.
- The most industrial activity is in buildings \$500,000 and under 10 – 15,000 sq ft in size.
- We see credit available for small industrial deals 20 – 30% down and in some cases 90% financing. SBA lending is also helping the small widget makers.

TAX REVENUE

- Shrinking tax revenues will hammer cities and counties. The groundswell is gaining steam. Sales tax revenue is also under pressure.
- Governments and school systems won't be able to shed expenses fast enough 2010 to 2013.
- Consolidation will rear its ugly political (2011 to 2013). Tough decisions are ahead.

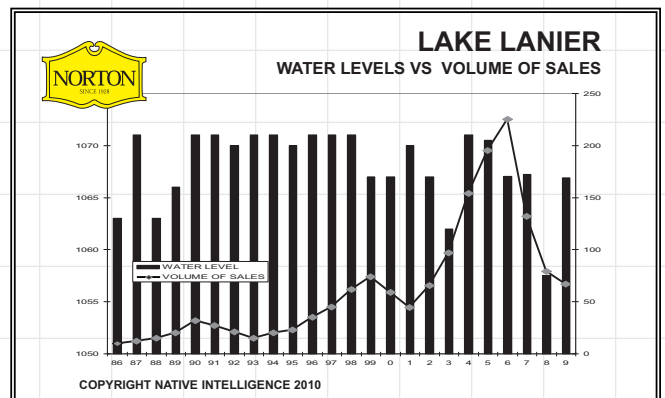
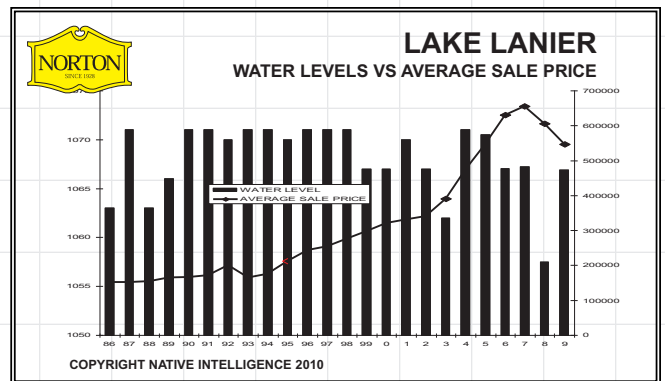
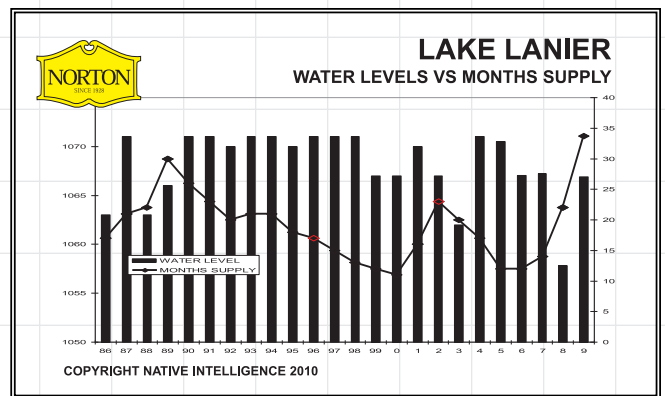
SECOND HOME MORTGAGE

- Stalled for now, the only activity is cash buyers looking for cabins in the woods at \$225,000 and under.
- Too many developed mountain and second home lots could take ten years or longer to burn through the inventory.
- Custom cabin construction on choice lots will be the norm.
- The national second home market may be off 75% to 85% from its 2006 peak.

- The second home rental market has never been a factor in North Georgia. NNI predicts that will change as some owners look for alternative income sources.

LAKE

- 2010 will be the year of the cabin. Small is huge.
- A sustained lake pool will help stabilize the buyer psychometrics.
- When the lake came up sidelined sellers put homes back on the market flooding supply.
- Average sale prices should hover around \$550,000 for 2010, 2011 and 2012.
- Too many high priced homes are on the market which are greatly affected by consumer confidence.



THE TOP 10 TRENDS FOR 2010

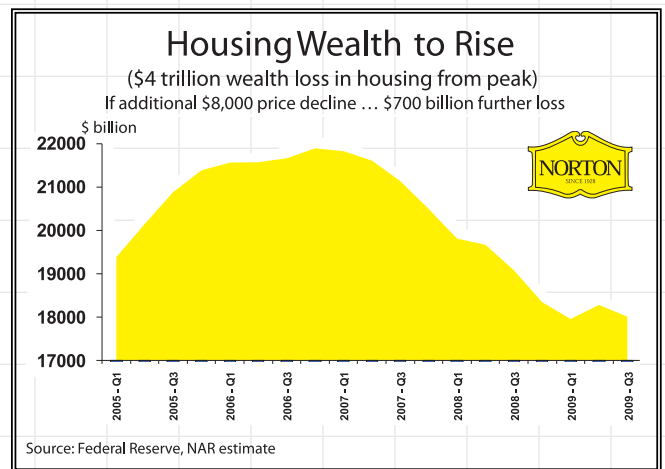
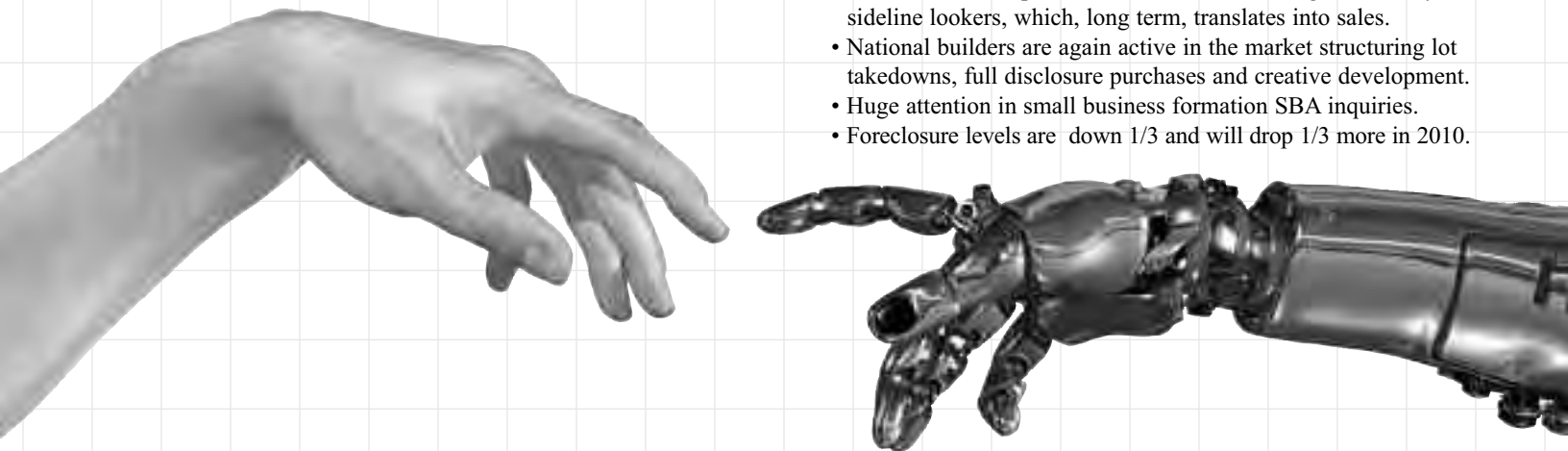
1 WE CAN REBUILD IT

The intro credits and lead in story starts in a booming voice amidst rapidly moving images of outer space, fiery crashes, electronic technology and medical surgery, medicine. *Oscar Goldman* our narrator says:

“Steve Austin, astronaut. A man barely alive. Gentlemen, we can rebuild him. We have the capability to build the world’s first Bionic man. Steve Austin will be that man. Better than he was before. Better, Stronger, Faster.”

The 1980’s TV drama “The Six Million Dollar Man” is a great metaphor and a greater challenge in this epoch of gloom and doom. Norton Native Intelligence™, in fact three generations of the Norton family and our entire organization, now 250 strong, view the business in 2009 - 2010 in positive tones. It’s not the glass that’s half empty or half full rather it’s half full because there is a crack in the top of the glass...a realistic view of the problem and how those issues might be repaired or overcome. Norton believes in this Forecast and others before, in that we must point out not only the Good, the Bad and the Ugly, but also the **opportunities** between each.

We can rebuild it **BETTER, STRONGER, FASTER THAN BEFORE**. Whether it’s your business, your community infrastructure or your personal portfolio with hard work, reinvention or tenacity of the human spirit, we can build it bigger, better, stronger, faster than before.



We see bright lights ahead, green sprouts of prosperity returning and basic core business solidifying throughout our region. Specifics include:

- Inventory of new homes has dropped 66% in two years with limited new construction starts.
- Shortages of new homes \$150,000 and under are now everywhere with isolated shortages in hot elementary school zones appearing in price points up to \$300,000.
- The return to full pool of Lake Lanier has brought out many sideline lookers, which, long term, translates into sales.
- National builders are again active in the market structuring lot takedowns, full disclosure purchases and creative development.
- Huge attention in small business formation SBA inquiries.
- Foreclosure levels are down 1/3 and will drop 1/3 more in 2010.

② IN THE LONG TERM WE'RE OK

While much of the focus is on this week's payroll, next month's loan renewal or the foreclosures down the street, North Georgia for the moment has taken its eye off the ball. Cycles come and go...even deep ones. Like Lake Lanier, what goes down does over time come back up. Stocks, 401K portfolios, home prices, retail sales, consumer confidence all fluctuate.

Over 15 years ago, Norton Native Intelligence™, after exhaustive demographic research and trend projection, made the bold (for that time) assertion that ATLANTA was not going to move to us but rather THROUGH us. The forces of demographic expansion in migration of Northern retirees and the region's dynamic growth are forces of long term prosperity. The Atlanta region, the state of Georgia, no matter how battered and bruised, will recover, will grow and will once again prosper.

Georgia Tech's (brothers Bob and Frank's favorite higher learning institution) Center for Quality Growth and Regional Development (CQGRD) has studied sectors of growth, business expansion and regional business dynamics. The Center has developed a thesis on the future growth of the country and broken down the components into 9 mega regions. A mega region can be defined as an extended network of metropolitan centers and surrounding areas, often crossing county and state geographical borders, linked by internal and external transportation and communication networks, as well as by geographical environmental, economic and social factors. International airports or waterports are components that accelerate the network growth.

Georgia Tech's Center has defined the national framework for planning and development purposes as: The Northeast (Washington to Boston); The Piedmont Atlantic Mega Region (Birmingham to Raleigh); Southern California (Los Angeles to Mexico); Cascadia Ecolopolis (Seattle, Portland and Vancouver); The Midwest (Centered in Chicago stretching to Minneapolis, South to St. Louis and East to Buffalo and Toronto); Southern Florida (the Southern portion of the Florida Peninsula); Texas, (Houston to Dallas to Austin to San Antonio); and the San Francisco Bay area. Each region has its own unique characteristics and challenges.

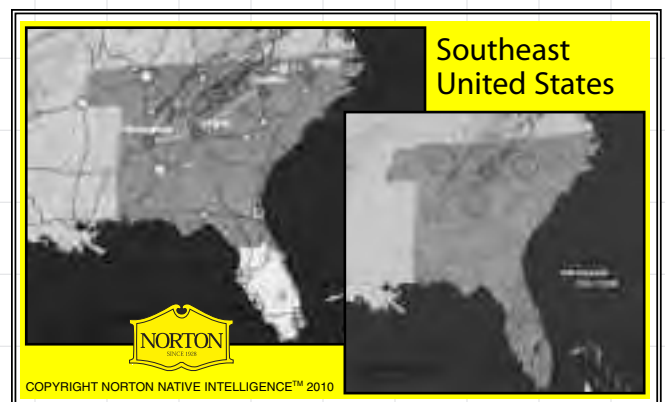
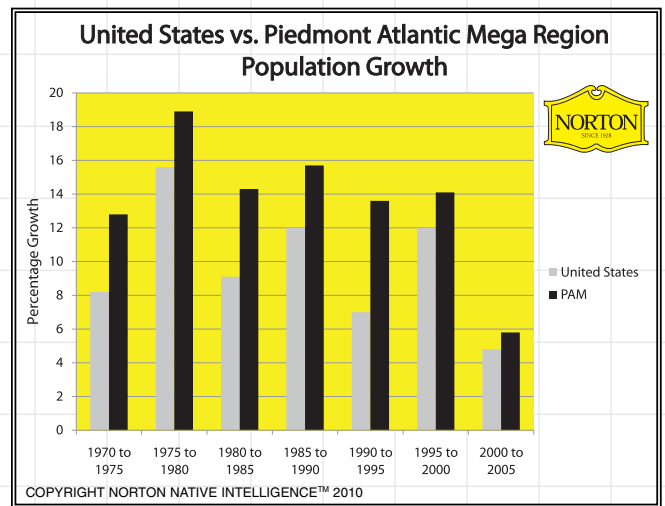
Our region, the Piedmont Atlantic Mega Region (PAM), is a dynamic network of leading edge, new birth, rebirth cities: Raleigh, Charlotte, Greenville, Atlanta and Birmingham linking Alabama, Georgia, Florida, South Carolina and North Carolina. It is projected that the regional population will surge from 34 million today to over 57.2 million by 2050. Megalopic Atlanta could stretch from Chattanooga to Macon to Greenville and contain upwards of 12 million. Our environment, gentle southern culture, non-union labor and affordable community housing development are alluring ingredients for long-term population migration and business relocation.

Once we lift the political/social transportation and jurisdictional boundaries off the map and think REGIONALLY we can truly capitalize on the attractions of our region's geographic **natural** resources and **human** capital.

Long term we're ok...

NORTON SINCE 1918			MARKET CONCLUSIONS 1.2010	
	TOTAL		% OF U.S.	
LAND AREA	282,700 square miles		8%	
POPULATION (2000)	47 million (2000)		16%	
JOBS	27 million		16%	
GROSS REGIONAL PRODUCT	\$1.5 trillion		15%	

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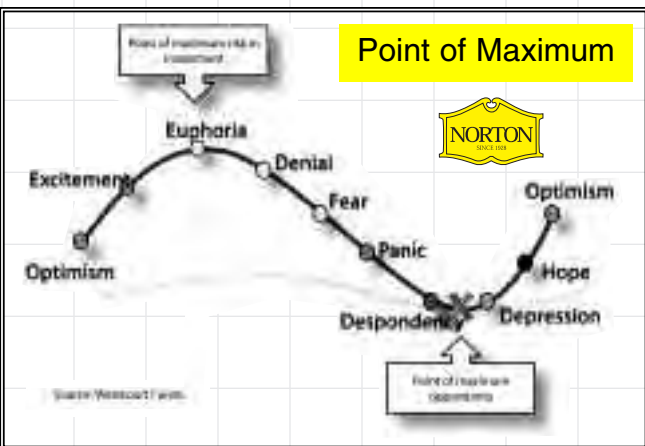
3 THE GILDED AGE TO THE SQUIRREL AGE

In the midst of the most powerful economic correction since the 1920's and 30's worldwide depression, we have seen the pendulum swing rapidly from the one direction, Abundance to the other, Hoarding. The very foundation of American capitalism, prosperity and consumerism has been shaken.

While the early signs (the canary in the mine) started with a California construction slowdown in late 2006 and price adjustments for housing in the first quarter of 2007, the average North Georgian or American remained unaffected until September of 2008. Up 'til that point, it was fundamentally "a housing" problem, too much inventory (supply), interwoven with hyper volume of mortgage money which came to a grinding halt with the sub-prime (marginal credit borrowers) collapse.

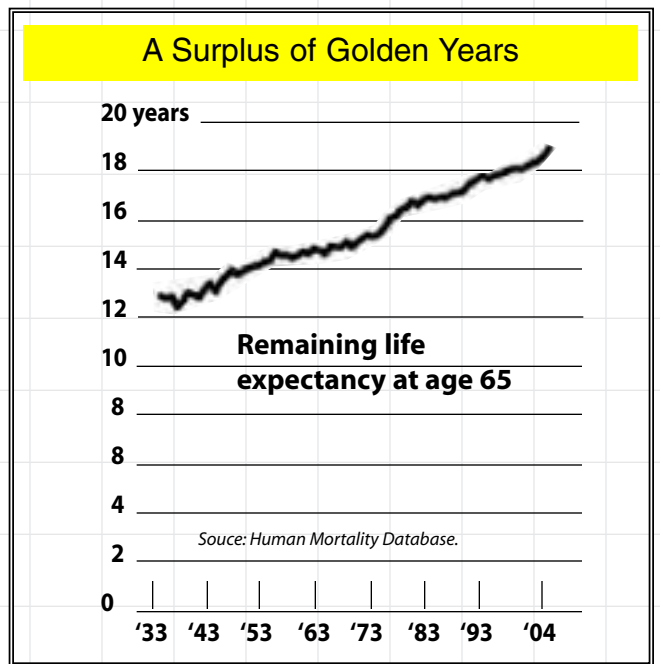
In the month of September 2008 we saw venerable Wall Street banking institutions vaporize, stock values plummet and billions of federal dollars pouring in to stop the blood loss. The resulting effect was a "trickledown," no it was a "pouredown"; on individual retirement accounts, IRAs and portfolio wealth. Some individuals we spoke with, saw their overall net worth drop 50% to 70% and, while the market has recovered (DOW low 6,469, DOW January 2010, 10,428) this has not erased the sinking feeling on the part of many Americans that they are down and out poor. Thus, our title of Trend 3: The Gilded Age to the Squirrel Age. We have moved from abundance and conspicuous consumption to squirreling away our nuts, clipping coupons, shopping at thrift stores and considering an excursion to Wal-Mart a boutique shop experience. Thrifty savings is in...luxury extravagance is out. Some expected market adjustments include:

- McMansion owners buying down in to conservative homes with lots of bonus room.
- North Georgia Premium Outlet and Tanger Banks Crossing sales soaring.



- The wealthy are looking for alternative investments. Nothing truly safe and secure, but control of wealth is of utmost importance.
- Money pouring into self directed IRAs, real estate IRAs, and equity in homes.
- Second home purchasers revert to cabins under \$200,000, not castles in the mountains.
- Expect major retail expansion from Wal-Mart, Dollar General, Fast Food (dollar menus) and necessity retail.

We will all learn how to discover our inner squirrel.



4 THE REINVENTION OF AMERICAN BUSINESS

We are moving from one epoch to another and unfolding before our eyes is **the reinvention of American Business** – North Georgia Business. As the world turns (the economy turns), we are eyewitness to the transformation of business, great and small.

The American automotive industries struggle with productivity and are saddled with union contracts and government debt loads. The banking industry is paralyzed by regulators and flawed underwriting principles. The Wall Street stock firms are shaken by performance, concepts of sustainable value and high end bonus programs. And, in our region, the corner grocery is now a multistate regional food distributor, the local druggist a homogenized medical network and the restaurant chains dominate our food dollars.

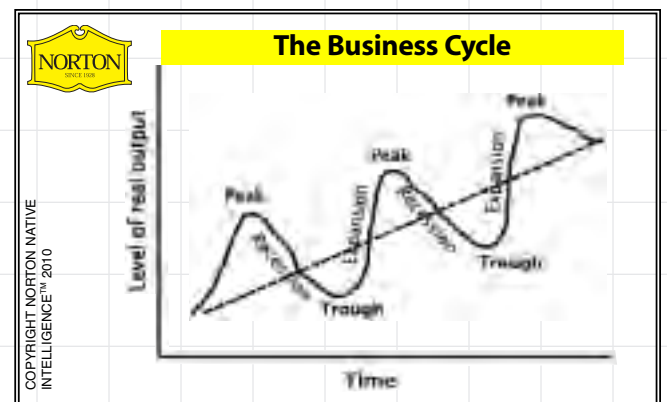
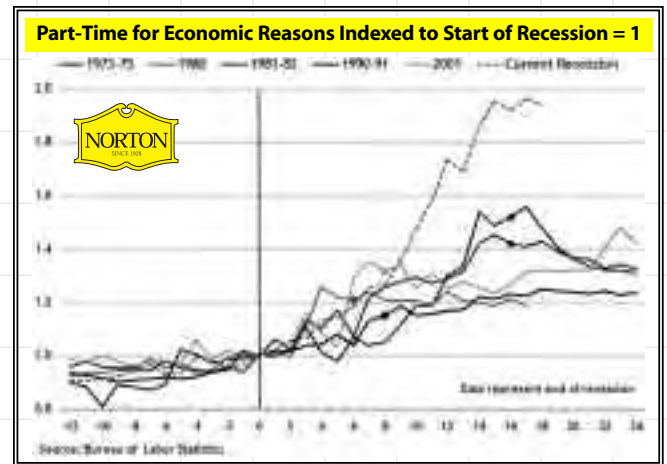
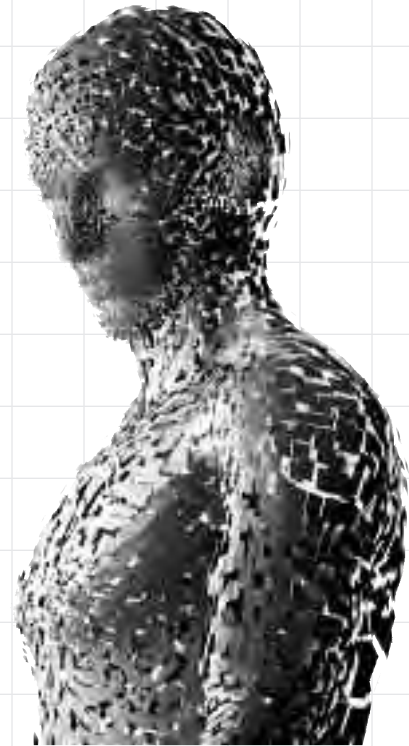
But with the emergence a.k.a. dominance of these nationals, companies big and small have taken the new economy to heart and pared down their corporate overhead, shed millions or thousands in cost and become Lean, Mean Fighting Machines. Marketing budgets have been slashed; corporate executive perks cut and departments consolidated. Whether it's New York, Clayton, Georgia, or Dallas, Texas, efficiency is in and waste redundancy is out. The end result, while not complete, should see corporate profit margins increase. Executives and small business owners alike will benefit from **bottom line profits**, not the trappings of their office or ownership.

The new American Business will be required to be lean and fit, work long hours while stimulating constant imagination. Watch American Business thrive through it all.

Although you many not think of yourself as someone who forecasts the future or the economy, you are making a big bet on the economy every time you make a decision that you will have to live with for several years. Home purchase, new car, personal investment, phone system lease contract, or business lease are all bets of a reinvested future.

Whatever curve balls the next year (or years) are thrown at the economy it's clear that the landscape has changed. Instead of sitting by and watching their futures grow bleaker, companies and workers are harnessing impressive changes in the business culture and technology to create a grass roots economy – a broad swath of many small businesses that can bend with the changing winds.

The entrepreneurial spirit is there and it's going to be even stronger when the economy recovers.



5 WATER

Memories are short, it's 2010 and already we have forgotten the severe 100 year drought that gripped our region, especially forgetful since 2009 broke a 50 year rainfall record. For 23 years Norton Native Intelligence™ has been writing and publishing its market reports and in 22 of the 23 issues we talked about water, conservation, water stewardship, planning and the need for a comprehensive water management/water acquisition strategy.

Compounding our aqua resources struggle...what water is ours is, we find out not really ours...was the July 17, 2009 decision by U.S. District Judge Paul Magnuson that Alabama, Georgia and Florida had 36 months from the date of his decision to make nice, kiss and make up over water or be pounded back to the **stone age** when water withdrawals from Lake Lanier were eliminated. Now it has been months, the clock keeps ticking while our "Roman Nero" leaders fiddle as they watch Rome burn with nearly a drop of extra water to put it out. Lawsuits fly back and forth; finger pointing and harsh words are all that is being accomplished; acting like children fighting over a toy in a sandbox.

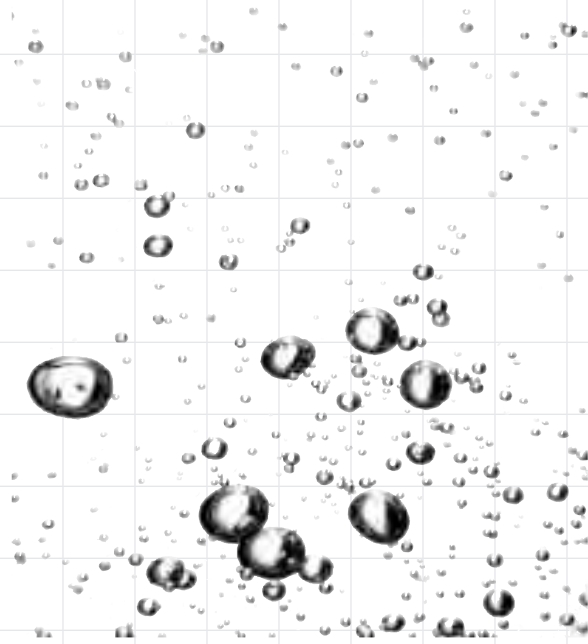
Norton Native Intelligence™ foresees some eleventh hour, last minute Herculean resolution hammered out in the back smoke-filled rooms with the general public kept on pins and needles as to whether or not they can take a bath the next day. What we believe is really needed is a long term 100-year water plan for the entire region. While water in 2012 is crucial and water in 2020 and 2030 is nice, we need to think longer term.

2200

How much real water will we as a southern human civilization need? How will we acquire, store, distribute and consume water to sustain the gift of life? If Metro Atlanta (see Trend 2) will be 12.5 million people by 2050 our regional population could reach 20 million or 22 million by 2200. And that population, despite advances in medicine, technology and industry will be THIRSTY.


Over 100 years ago California leadership created a long term water plan tapping Colorado water resources creating a system of storage basins (think Hoover Dam) and planned for the future, a real future not just 20 or 30 years away. Bold visionary leadership then is needed here right now. Norton Native Intelligence™ once again reminds its leadership of ideas which woven together could help sustain our thirst...

- Conservation First. Saving water everywhere will be a must.
- Raise Lake Lanier's water level two feet and dredge its existing basin during the next drought. Maintain maximum water storage capacity at all times.
- Construct proposed water reservoirs in:
 - Dawson — 700+/- acres potential reservoir size
 - North Hall — 800+/- acres potential reservoir size



- Barrow 1 — 300+/- acres potential reservoir size
- Barrow 2 — 375+/- acres potential reservoir size
- Jackson — 300+/- acres potential reservoir size

- Plan reservoirs in the valleys of White, Pickens, Cherokee, Gordon, Murray, Towns, Union, Rabun, Banks, Franklin, Madison, Fannin and Hart counties to create our own network of TVA Lakes.
- Plan long distance transfer of water: desalination plants on the coast, water from the Savannah River, TVA Lakes and The Flint River. By 2200 we will need multiple water source points.
- Intertwining water conservation, management acquisition and transportation on a regional scale is truly our civilization's best hope.

 Atlanta Region: Population Age Distribution						
	<u>2000 Census</u>		<u>2007 Estimate</u>		<u>2012 Projection</u>	
Age Cohort						
0-24	1,657,752	36%	1,962,019	36%	2,142,874	35%
25-34	792,456	17%	859,973	16%	837,590	14%
35-44	797,142	18%	905,007	16%	939,138	15%
45-54	607,794	13%	776,450	14%	914,461	15%
55-59	198,987	4%	302,980	6%	369,618	6%
60-64	140,231	3%	222,120	4%	307,390	5%
65-74	198,200	4%	265,428	5%	365,285	6%
75 plus	154,728	3%	187,530	3%	233,350	4%
TOTAL	4,547,290	100%	5,497,361	100%	6,109,706	100%
Median Age	33.54		34.75		36.23	

Source: Metrostudy/Claritas/U.S. Census Bureau

6 HAVE YOUR HAND OUT

Norton Native Intelligence™ generally writes about the business conditions in North Georgia, but occasionally we uncover a social or human condition worthy of including in our annual Top 10 Trends. In truth the cataclysmic economic tsunami has trickled down to all aspects of the fabric of North Georgia. The very core of our community's business, government, its households and charity are all affected.

Charity, Philanthropy, Giving has been hit hard and in the opinion of Norton Native Intelligence™ could suffer a 10-year drought. This, we believe, will result in a reorganization of priorities and consolidation (in some cases evaporation) of some charitable organizations. North Georgia's population is of a giving nature, using its abundance to help its fellow man, create new infrastructure and the social/cultural necessities that a modern society might want. Houses of Worship, Private Schools, Higher Education, Symphony, Visual Arts, Mountain Heritage, Medical Clinics, Historical Preservation, Environmental Stewardship and Life Long Learning are but a few of the areas that through benevolent generosity now permeate our daily lives. North Georgia's population Pre-September 2008 felt abundant. Poultry processing created broad pockets of wealth, hometown banking grew to regional and in some cases to national networks resulting in abundant stock portfolio wealth. Small town homebuilders and suppliers became mega development engines during the growth swing 1995 to 2007. Mountain ingenuity created new business enterprise, inventing processes which all translated into wealth, aristocracy and charitable giving. But no more...

The economic adjustments of bank stock value reduction, the home building industry collapse and poultry prices dropping when feed prices soar have affected the average North Georgian's pocketbook and the corresponding abundant giving. While some aspects of wealth escaped the correction, most didn't. Norton Native Intelligence™ projects that the wealth created from just small town banking roll-ups in North Georgia took a five billion dollar portfolio hit. Granddaddy's bank stock so carefully hoarded generation after



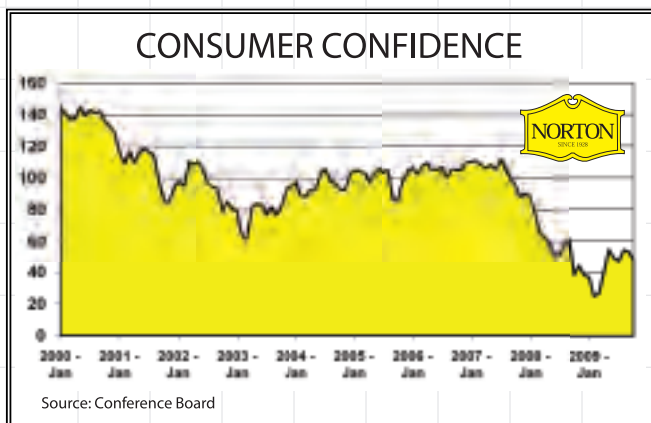
generation is worth 1970 values or less. Some instantaneously turned into dust, others lost value, dividends stopped and many banks are hobbling along on respirator life support.

Look around your community and see the GOOD, the GREAT that was created by hardworking, giving people leaving a legacy of structures, services, programs and environmental patrimony.

The next few years, as many as ten forward will be one of personal recovery, not one of abundant giving or legacy creation. Yes, there will be giving and the isolated mega gifts adding to the fabric of North Georgia but not to the scale of the past 20 years. It's going to be a "hold on" mentality for a while. Faith based charities will do better than most, but at a time when social services and human kindness will be needed most...giving will dry up.

For organizations that survive/thrive on donations, it will be survival of the fittest. Lean staffs, moderate salaries, low overhead and consolidation. **Collaboration** will be the mantra for survival. While it's great to have the broad array of organizations in every North Georgia community, thrift will become the norm in regional efforts. National studies point out that Americans will continue to give with churches and cures for disease being at the top of the list. Well established groups like the North Georgia Community Foundation and United Way (Forsyth, Gainesville, Hall and Habersham) will see their requests soar, but the push for collaboration, consolidation must be rapid to be effective.

Redundancy is out...squeezing a dime from a nickel IN.



7 THE SILVER DOLLAR

There is money to be made in the “grey” market, but it takes thought...

We refuse to settle for being old, but as life goes on, we must freely admit that we are all growing older. In most rich countries, the baby boomers born after World War II were more numerous, better educated and better paid than any generation before them. As they retire, despite momentary economic fluctuations, they will retire in style. While there are many shades of grey, there is strong potential in the Silver Dollar Market.

North Georgia’s statistics, like the rest of the country, reflect changing aging demographics. The 2009 combined population of our region exceeds 2.1 million people 10% of whom are between 55 and 65, another 9% are 66 and older. Not counting long term reserves wealth (nest eggs) they had an estimated 2009 annual disposable income of \$14.5 billion dollars. Del Webb, the nation’s largest and most successful developer of active adult (55+) communities, did its own research in 2004 and found the largest concentration of pre-retirement population in the Southeast was in Gwinnett County. Today, their strategically positioned Villages of Deaton’s Creek at the Hall/Gwinnett border, is Atlanta’s fastest selling

community 24 months running. It’s the Silver Dollar marketing potential that caught the eye of Norton Native Intelligence™. The potential for traditional North Georgia businesses to transfer a portion of its marketing segment toward this growing, vibrant

market, healthcare, rejuvenation medicine, cosmetic, fitness, life style, entertainment, stay vacation tourism, senior need housing, rehabilitation, drugs, social connector functions are only a small scratch in the surface of this market. The baby boomers are more active so they will stay more active, more educated so they will be lifelong learners, travel experienced so their thirst for rich cultural avenues will be warranted.

Norton Native Intelligence™ challenges all North Georgia businesses to awaken their inner aging spirit and focus on the Silver Dollar.

COUNTY	2009 Population	% POPULATION		ESTIMATED 2009 DISPOSABLE INCOME (IN MILLIONS)
		BETWEEN 55-65	% POPULATION 65+	
Banks	16,996	12.3	11.5	92.0
Barrow	72,946	9.8	9.3	370.0
Cherokee	224,216	10.6	7.8	1,724.5
Clarke	114,608	7.8	8.6	609.1
Dawson	22,699	13.3	11.9	187.4
Fannin	25,823	16.1	19.7	194.4
Forsyth	175,192	9.5	7.7	1,399.4
Franklin	21,914	13.1	16.2	216.0
Gilmer	31,153	13.5	14.6	199.9
Gwinnett	828,710	9.6	6.3	5,792.9
Habersham	44,737	12.5	14.5	280.3
Hall	186,789	10.1	9.8	1,127.4
Hart	24,626	13.8	17.3	169.3
Jackson	63,762	11.4	11.3	353.5
Lumpkin	28,251	11.0	10.8	160.7
Madison	28,837	12.3	12.0	166.1
Oconee	34,510	13.1	10.4	284.3
Pickens	31,507	13.6	15.6	278.2
Rabun	17,704	15.8	19.8	160.2
Stephens	25,695	13.1	16.2	156.3
Towns	11,490	17.3	28.0	117.9
Union	22,478	16.6	22.3	194.1
Walton	89,665	10.7	10.0	510.3
White	26,722	13.4	14.4	164.7
Total	2,171,030	227,902 ppl.	199,191 ppl.	\$ 14,908.90

Source: CDM, Norton Native Intelligence 2010



8 LEASING VS BUYING

After years of copious office, industrial and retail facility consumption, capital has become precious and the market has turned to leasing. Both BIG...Kroger, Target, Publix, Wal-Mart and SMALL...Joe's Mart and Ruby's Dress for Less are all leasing. Hold, preserve your capital, let someone else manage the roof and lawn, so you can concentrate on your core business and lease your space. Leasing also gives long-term flexibility; outgrow and move, shrink and move, misposition your market and move. Since the second quarter of 2009 (the first quarter of 2009 and all of 2008) the market was in a state of paralysis. The business community expanding or relocating favored leasing space vs. buying a new location. This is a boom for well-capitalized landlords and difficult for undercapitalized tenants. In the latter cases, personal lease guarantees have become the norm. Norton Commercial has been inundated with small business and small shop lease requests over the last six months. It has evolved into a lessee driven market. With the exception of medical office space, all lease rates are negotiable. Retail, Industrial and Office landlords are renewing tenants by the dozens stabilizing occupancy through tenant improvement, rehab dollars and lower rents. In many cases landlords are negotiating two and three years before actual renewal, then signing new leases at new rents for five and six years. "A tenant in hand is worth two in the bush."

	U.S. Vacancy Rate Trends					
	Actual			Projected		
	2006	2007	2008	2009	2010	2011
Apartment	5.8%	5.7%	6.6%	7.4%	7.0%	5.9%
Industrial	9.7%	9.6%	11.1%	11.8%	11.5%	10.9%
Office	12.7%	12.6%	13.9%	17.8%	18.3%	16.5%
Retail	6.9%	7.3%	9.0%	10.5%	9.5%	8.0%

Source: RREEF February 2009



"International Herald Tribune, October 27, 1989. Kal, Cartoonists and Writers Syndicate, 1989."

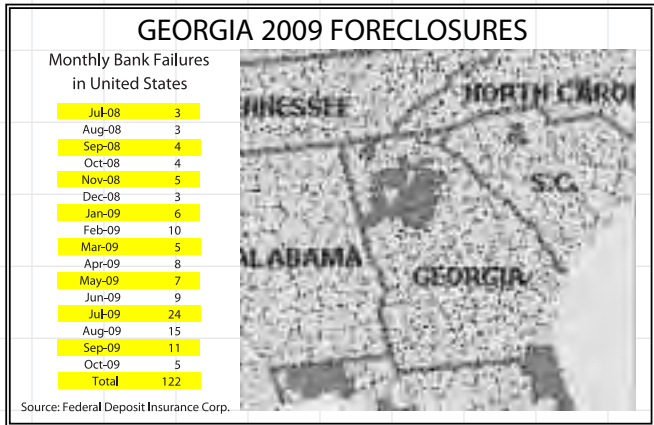
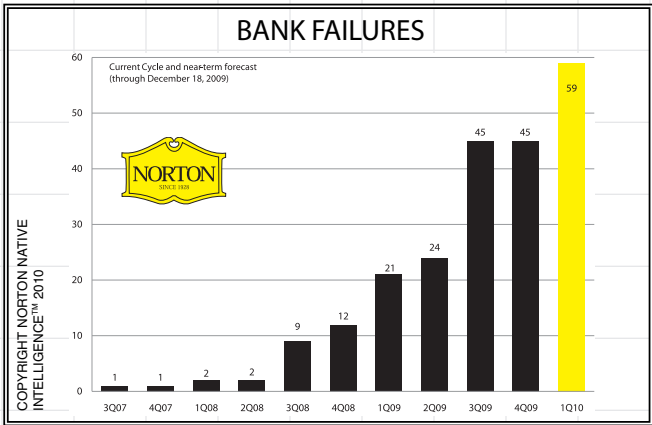
9 CASH OR CREDIT

In South Hall County, right off Hog Mountain Road are two roads named...CASH and CREDIT...a wonderful example of the next two or three year lending climate because, you see, Credit Road is but a short connector to a much longer winding Cash Road. **Cash is King**. Those that have it and those who have access to it will command the lion's share of the next generation of North Georgia expansion.

Some Specific Points Include:

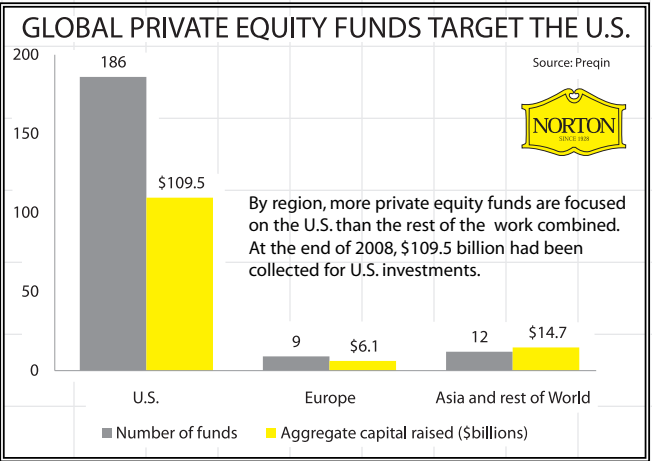
- The surviving small community banks are returning to traditional owner occupied and small business loans. Collateral and lots of it are the norm and heavy scrutiny over contingent liabilities hidden deep within the borrowers' financial statements and tax returns (two years please) are paramount before extending credit. The small community banks that have weathered the storm have lending portfolio profiles that mirror the local communities they serve. Yes, they have problem loans and work out relationships, but not to the degree of some of the regionals and nationals.
- There is a new reality of bank failures and perhaps a deeper sympathy amongst regulators and bankers than in the past. One FDIC administrator told us, "the first 10 banks that failed...they did something WRONG. The other 15-20 in Georgia just got caught between the shifting market sand." No banker ever makes a bad loan. After hours or days of scrutiny over financial pro formas, financial statements, market research, business models, rent roles and what if? computer modeling, the bank officer makes a presentation to a credit officer who again scrutinizes, questions and verifies. Once the review is complete, it is presented to a higher level (repeat the scrutiny) then to a finance committee for review and approval (repeat the scrutiny) and in some cases to a larger board all before final funding of a loan.
- The Feds are in some cases causing their own pain and the pain surrounding the mid to large scale banks. Recently, they have instructed some larger banks (three we have specifically talked with) to pare down their commercial portfolios say "move commercial real estate credits from 25 Billion to 18 Billion in 24 months, or 20 Billion to 15 Billion in 18 months or 17 Billion to 10 Billion in 16 months. Whatever the formula being forced by the regulators, it starts a massive shell game. A loan moves from "Bank A" to "Bank B." To make room, a different loan relationship moves from "Bank B" to "Bank C" and then those banks move loans to other banks. Today, most Southeastern banks are renewing (not just new credit extensions) loans based on
 1. Relationships (do they have a total lending relationships),
 2. Value and Type of Property, and
 3. Rate Margin and Bank Income.

One banker has described the pending 2010-2012 lending climate

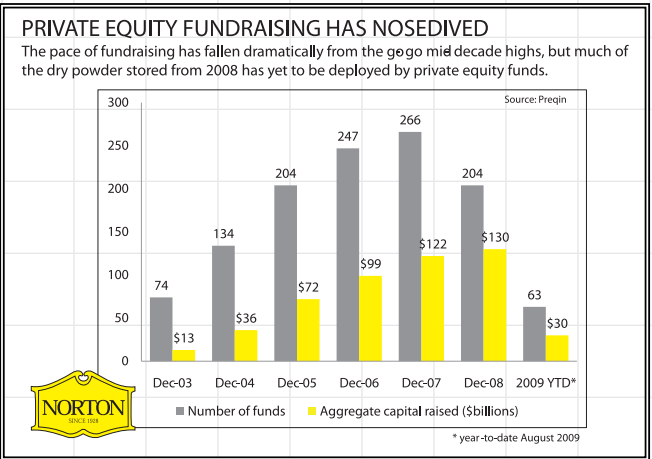


this way, “The residential development lending crisis is past the fifth inning stretch of a baseball game and perhaps in the bottom of the seventh or top of the eighth...the commercial lending climate game, however, is just starting. The pitcher is in the warm up area and has just dislocated his shoulder.” Banking cash, credit borrowing and investment will continue in 2010, 2011 and 2012. New rules for all aspects are being written as we go. How business

borrowers money has changed from last week and next week will be different, too. Banks must make money to survive, but for the short term cash into projects, investments or your home purchase will drive the New Economy.



While banks are putting their administrations on diets, layoffs follow and cut backs are prevalent. “The industry is in survival mode.” Quarterly bank losses tied to writedowns and foreclosures continue, its profitability that must soon come to focus, Shareholders are ok for a while understanding the market correction and its effect on stock price, growth and dividends, but at some point banks have to start lending money to make money. They can’t be profitable solely on adjusting interest margins and collecting fees. **The bankers in their starched shirts and neat ties or colorful logoed polo shirts have to start lending money to fuel the engine...soon, very soon.**



FDIC Insured Deposits Commercial Banks

(Dollar Amounts in Thousands)

County	Number of Institutions	Number of Offices	Deposits
Banks	4	5	97
Barrow	10	22	887
Cherokee	18	57	3,003
Clarke	16	42	2,280
Dawson	7	10	601
Elbert	3	6	336
Fannin	6	10	555
Forsyth	20	50	2,503
Gilmer	6	8	837
Gwinnett	43	198	11,099
Habersham	7	21	1,077
Hall	18	61	2,504
Hart	5	7	330
Jackson	11	24	721
Lumpkin	6	9	386
Madison	3	10	189
Oconee	8	14	671
Pickens	7	11	1,034
Rabun	5	11	644
Stephens	5	10	344
Towns	3	5	426
Union	4	6	1,468
Walton	12	18	850
White	5	9	434
Total		9	33,276

Source: FDIC 2009

70 THE DYNAMICS OF MARKETING HAS CHANGED

The Rules of the Game

- What is the real value of real estate in today's market?
- How do you sell real estate without leaving money on the table?
- How do you buy real estate without paying too much in this falling market?
- How do I position my property to compete with foreclosures?
- Even with great credit how do I get a loan?

It's 2010 and clearly the rules for value buying, selling and borrowing have changed. Is this a fundamental change FOREVER?...too early to tell, but 2009 was different, 2010 most assuredly and perhaps 2011 and 2012 will be as well. We are adjusting to a new normal (see Trend 4 reinventing business), but marketing real estate whether it's big boy houses, first time homes, or investment property has fundamentally changed. The rules of the game...For lots, land, foreclosures, lake homes, McMansions (mansions) have changed as the sheer volume of available inventory has commoditized specific (not all) segments of the real estate business.

Real estate For Sale signs are everywhere, signaling that real estate is no longer a precious asset. There are signs on every corner. Foreclosure sales flow in endless emails. Auctions advertised on TV and in newspapers plus the nightly news dissecting every aspect of real estate and the economy. The fact is Real Estate, although stressed, is selling every day. Norton's own residential sales were 15% ahead 2009 vs. 2008. Varying aspects of the new rules include:

Walk away offers. Buyer making quick close offers at their price once. No counter no negotiations...just one offer and then going down the street to the next one.

Online auctions with timed closings are the industry's new EBAY.

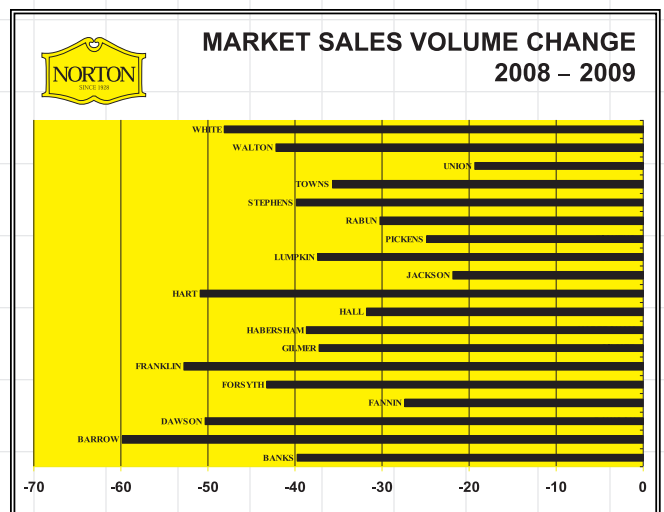
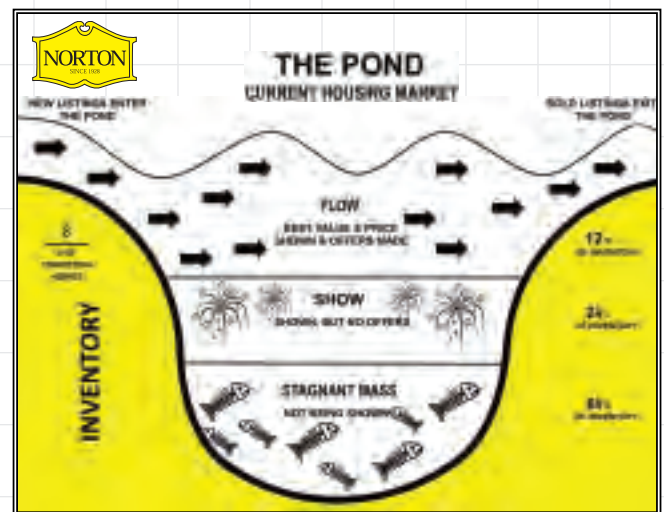
New marketing methods. Norton created the first national vacant lot marketing portal www.lotbank.com GEO coded lots linked to construction and permanent mortgage financing, plan books selection and builder resources.

The Broker is Back. Buyers and Sellers have stored their "For Sale by Owner" signs and talking to **real** experts (like us). The market has moved from "order taking" to slow motion real estate and buyers and sellers have recognized they need broker experts again to help them walk through the quicksand in the market.

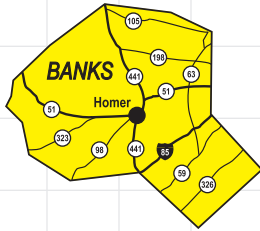
Hawk Buyers. Hawk Buyers are hovering high up in the sky straining their keen eyesight on small defenseless properties

and they are ready to swoop down at an instant hint of vulnerability and snap up the property.

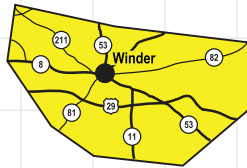
Value. The reality of this market is no longer market comparables of last quarter, last year or last week. The real value for today's real estate is simply what someone will pay for it no more or no less. Don't need to sell, then wait or put your property on the market and take what comes. The conundrum of this market, there are properties well-priced, well-positioned, well-cared-for, but no...nadda...Zilch offers. What is the property worth then? It's sort of like throwing a party and no one came. Those sellers can't knee jerk react and must be calm and patient. Property is not worth ZERO. **Time will cure this problem.....TIME.**



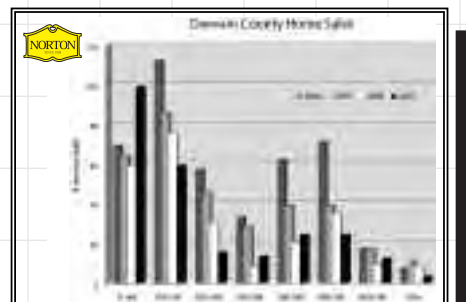
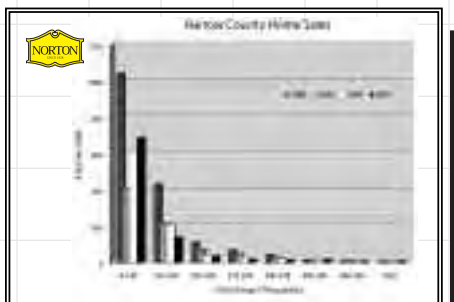
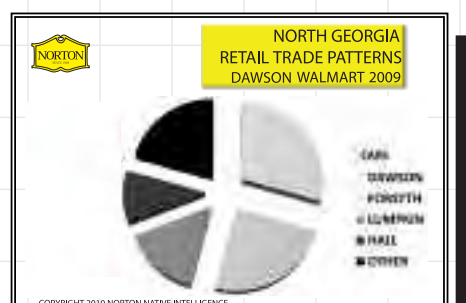
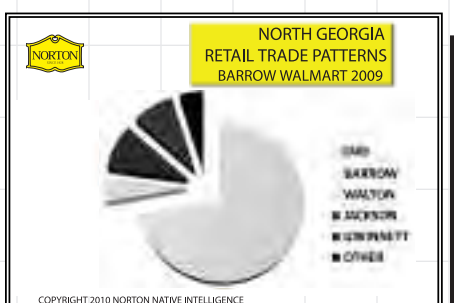
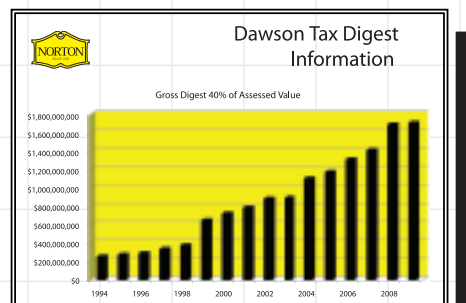
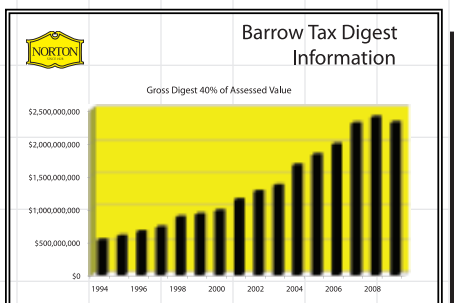
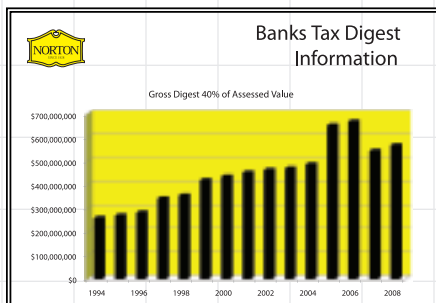
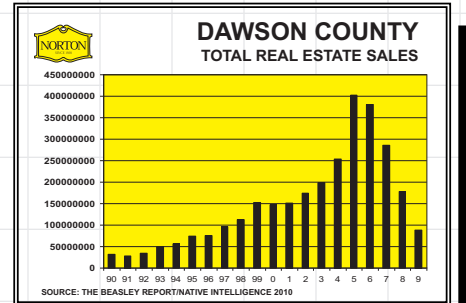
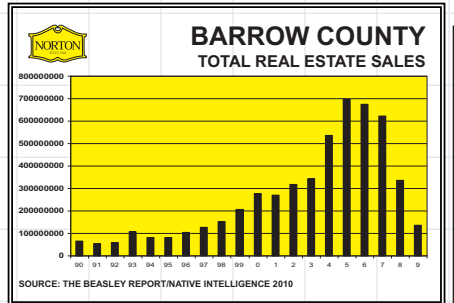
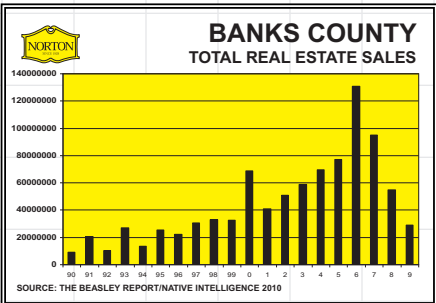
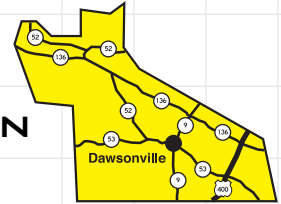
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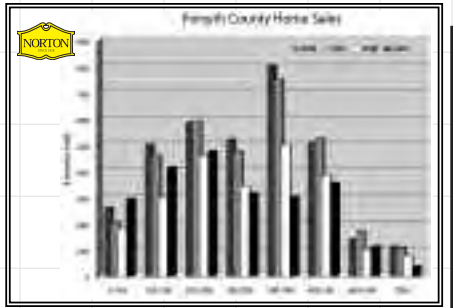
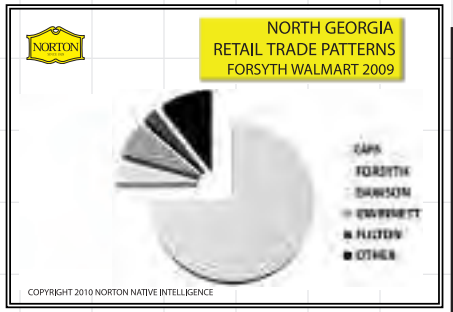
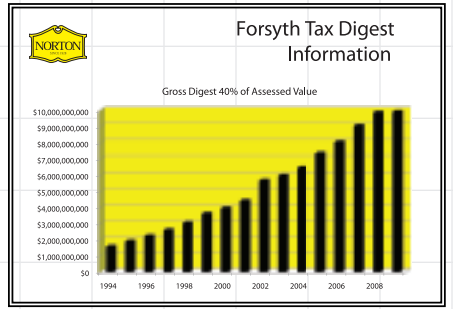
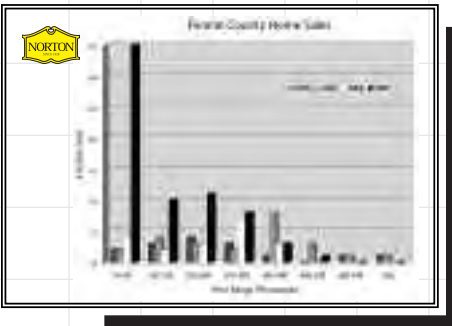
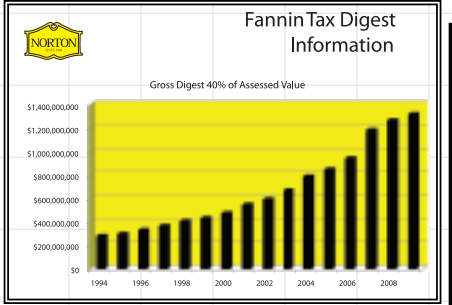
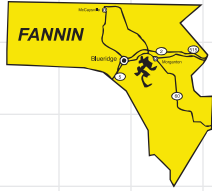
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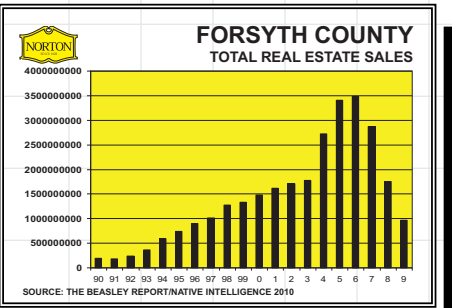
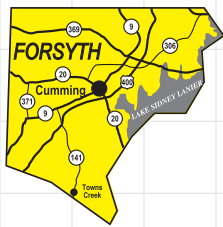
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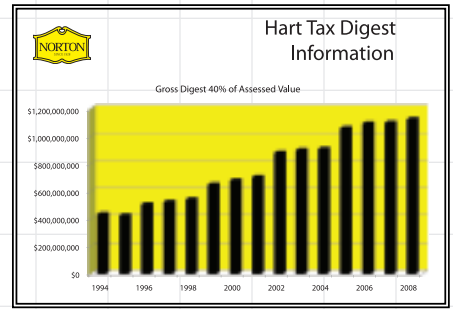
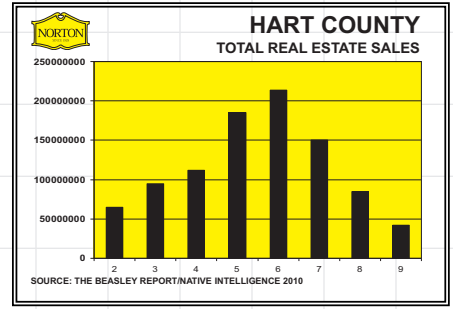
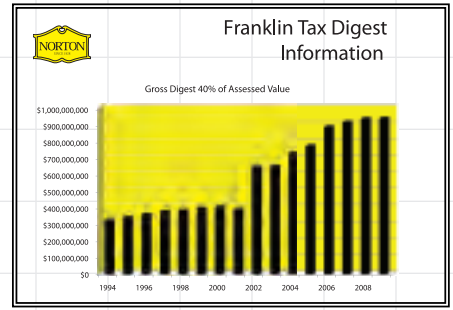
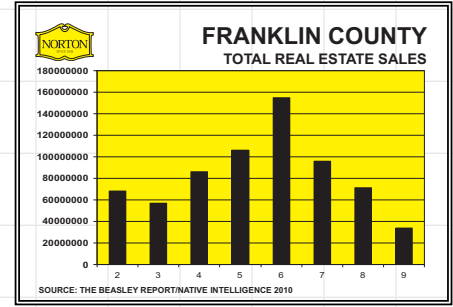
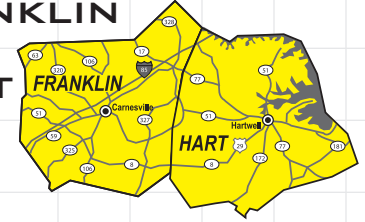
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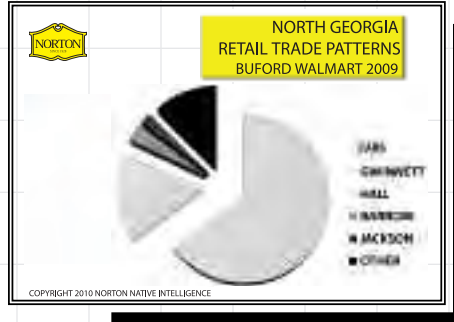
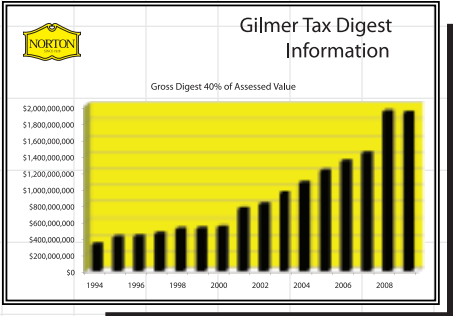
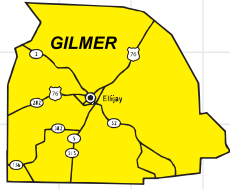
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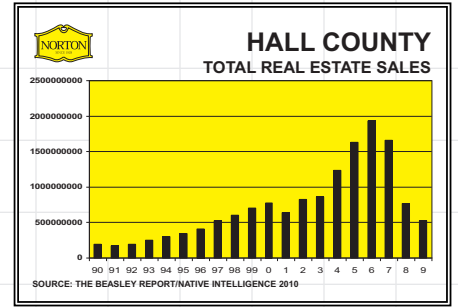
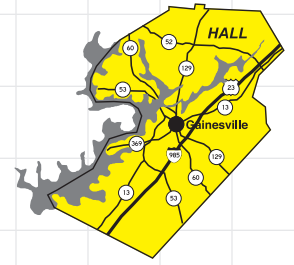
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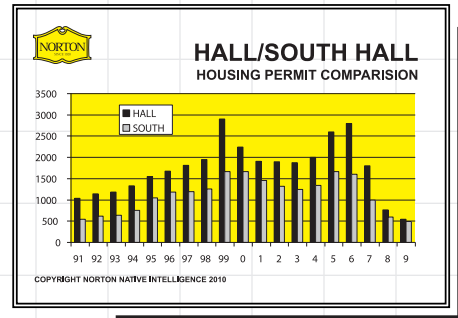
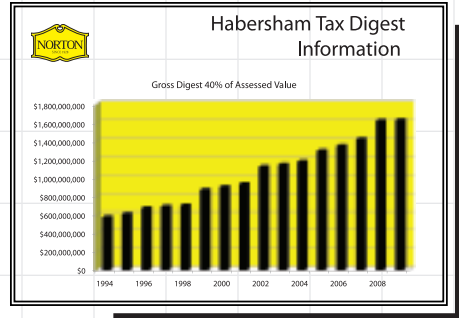
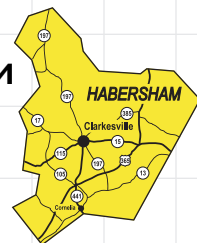
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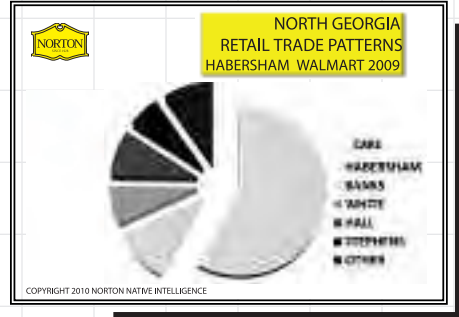
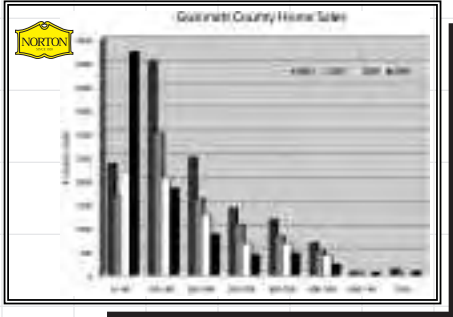
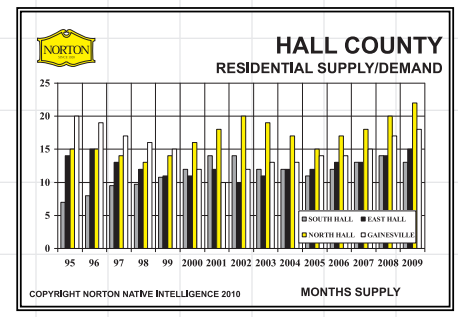
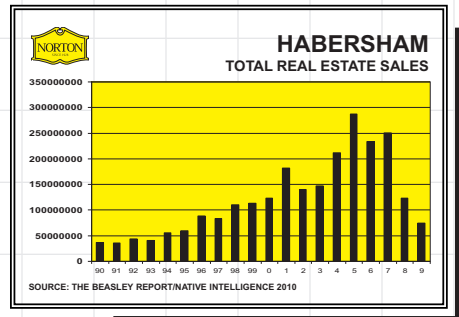
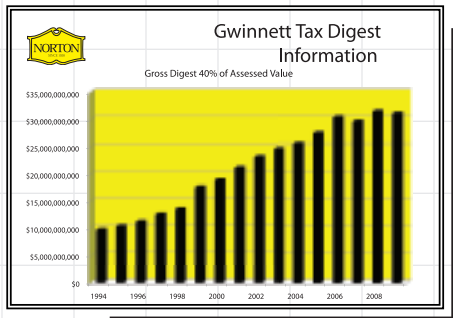
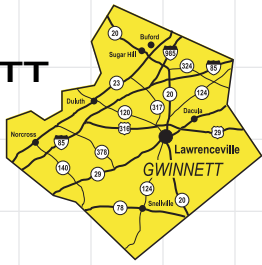
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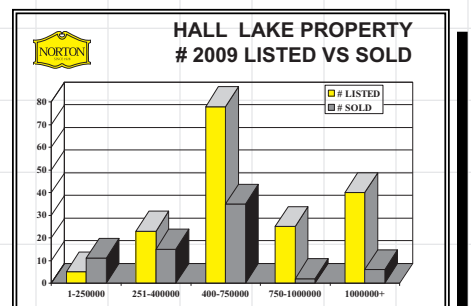
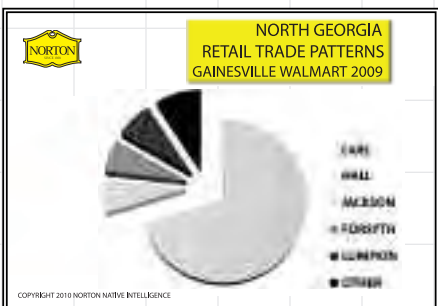
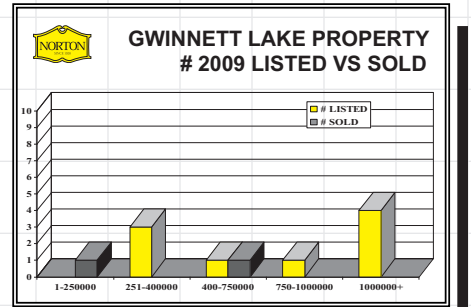
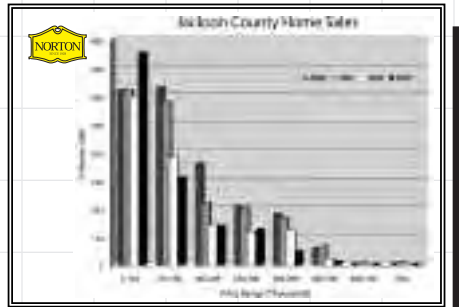
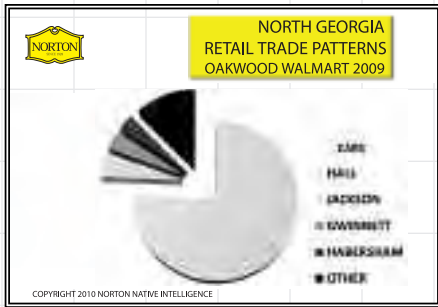
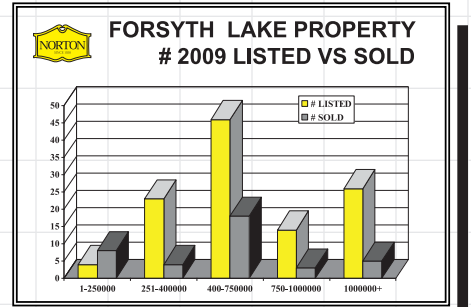
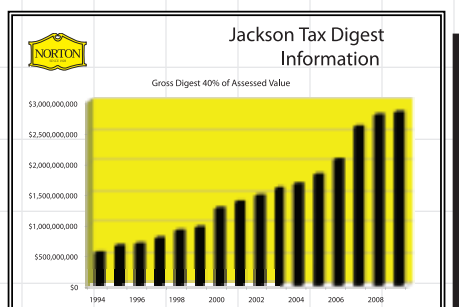
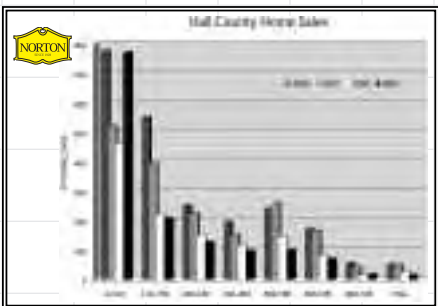
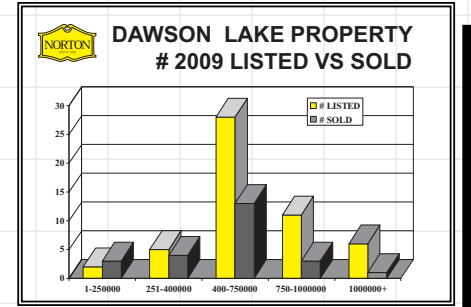
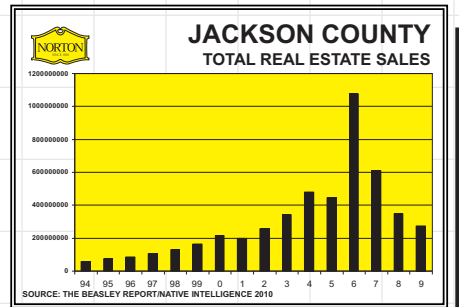
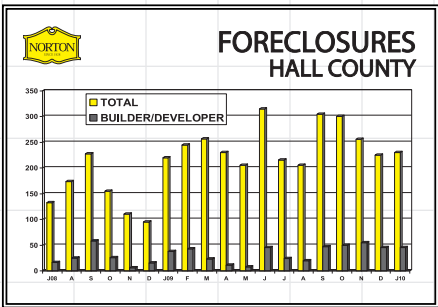
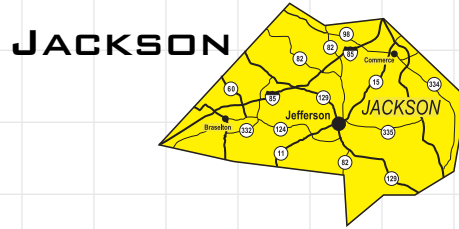
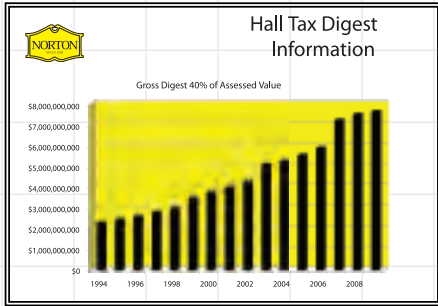
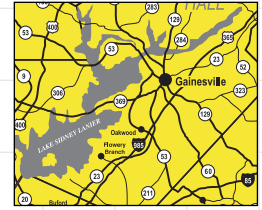
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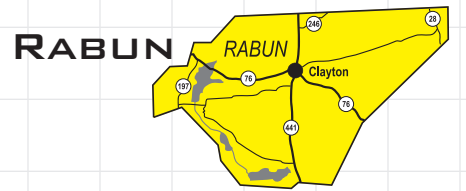
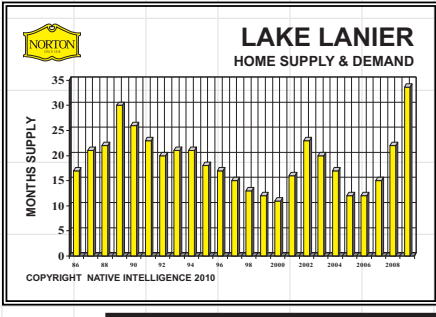
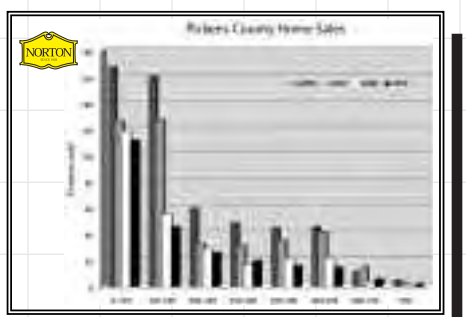
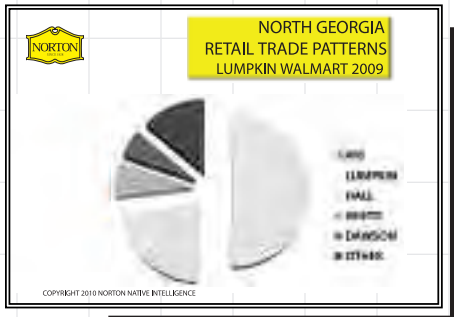
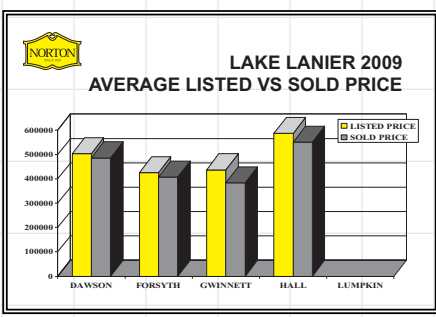
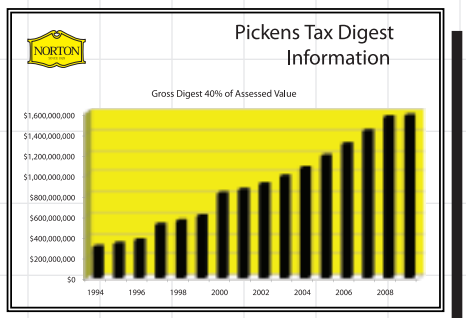
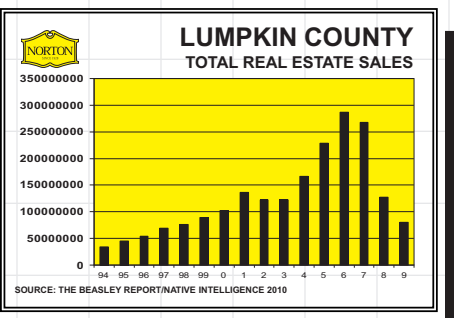
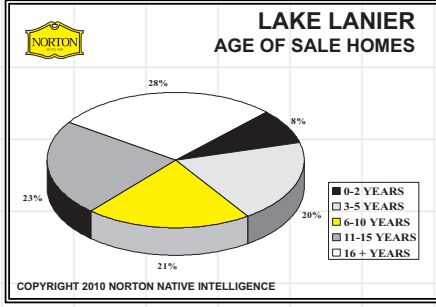
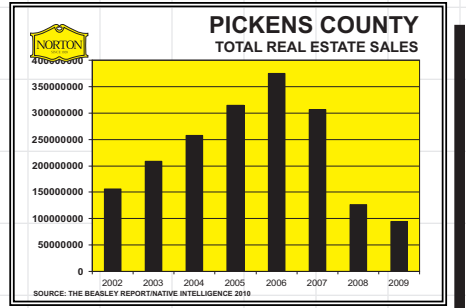
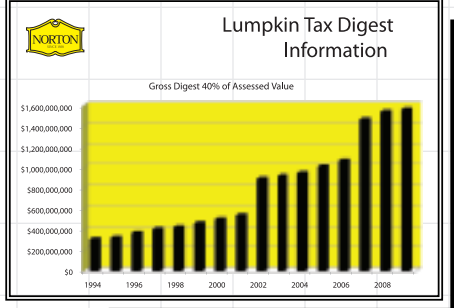
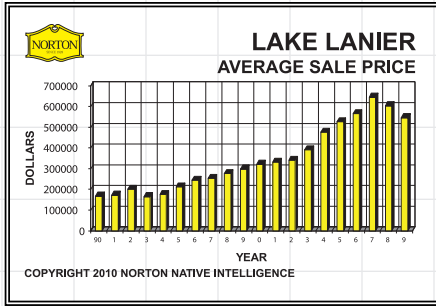
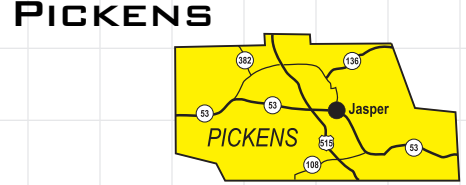
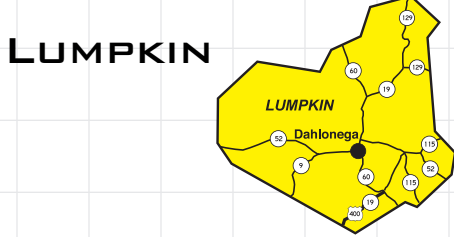
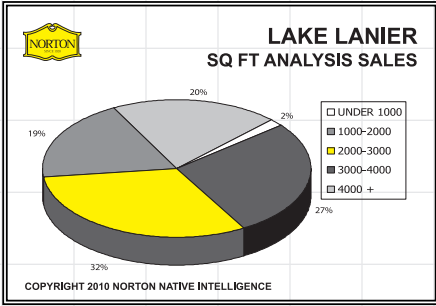


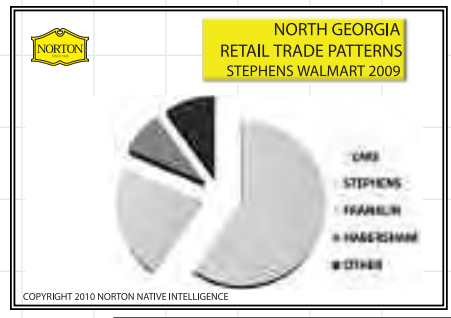
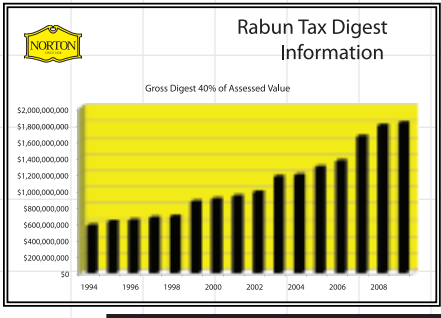
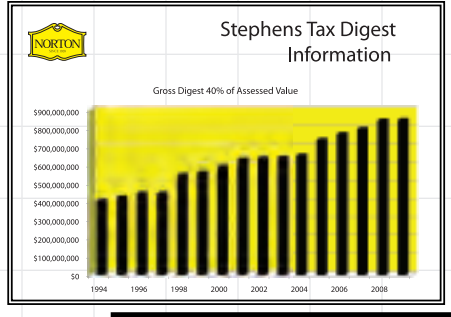
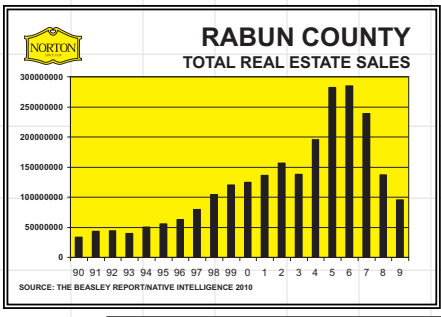
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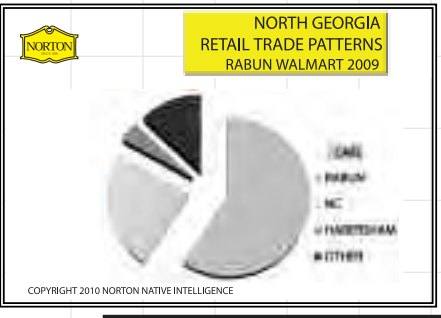
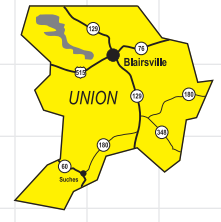
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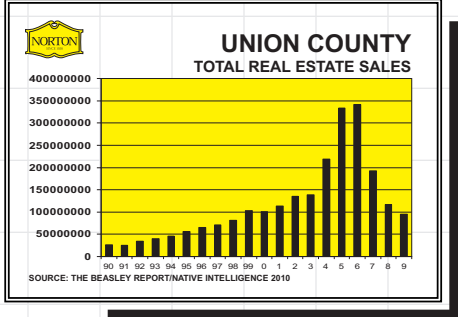
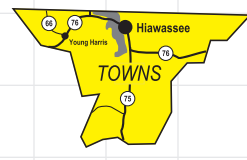




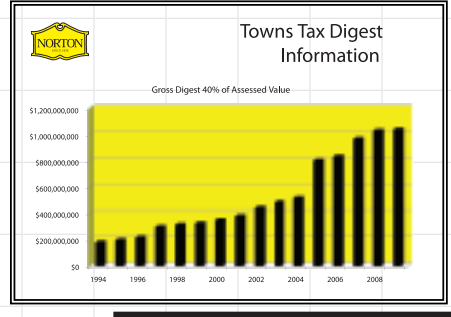
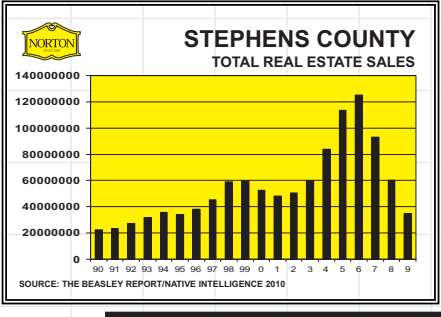
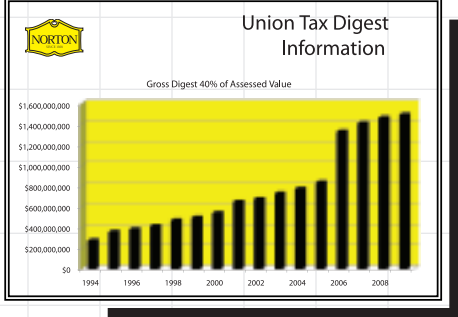
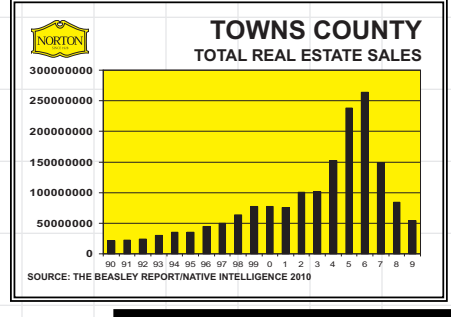
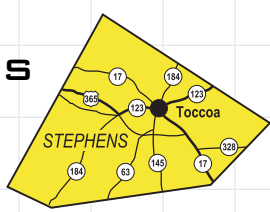
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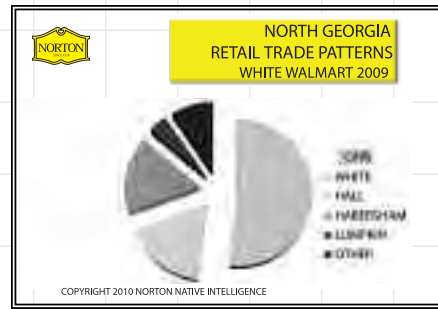
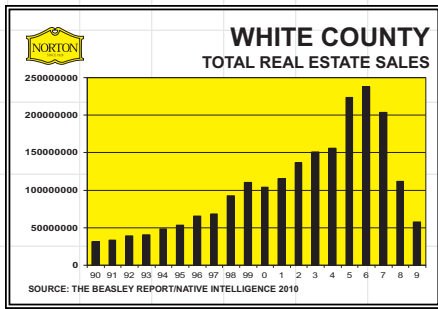
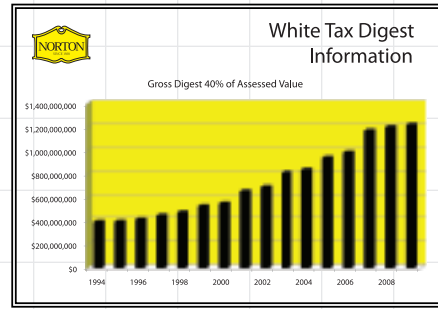
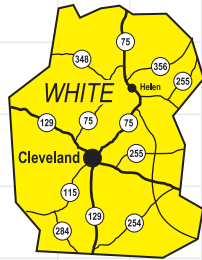
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STEPHENS



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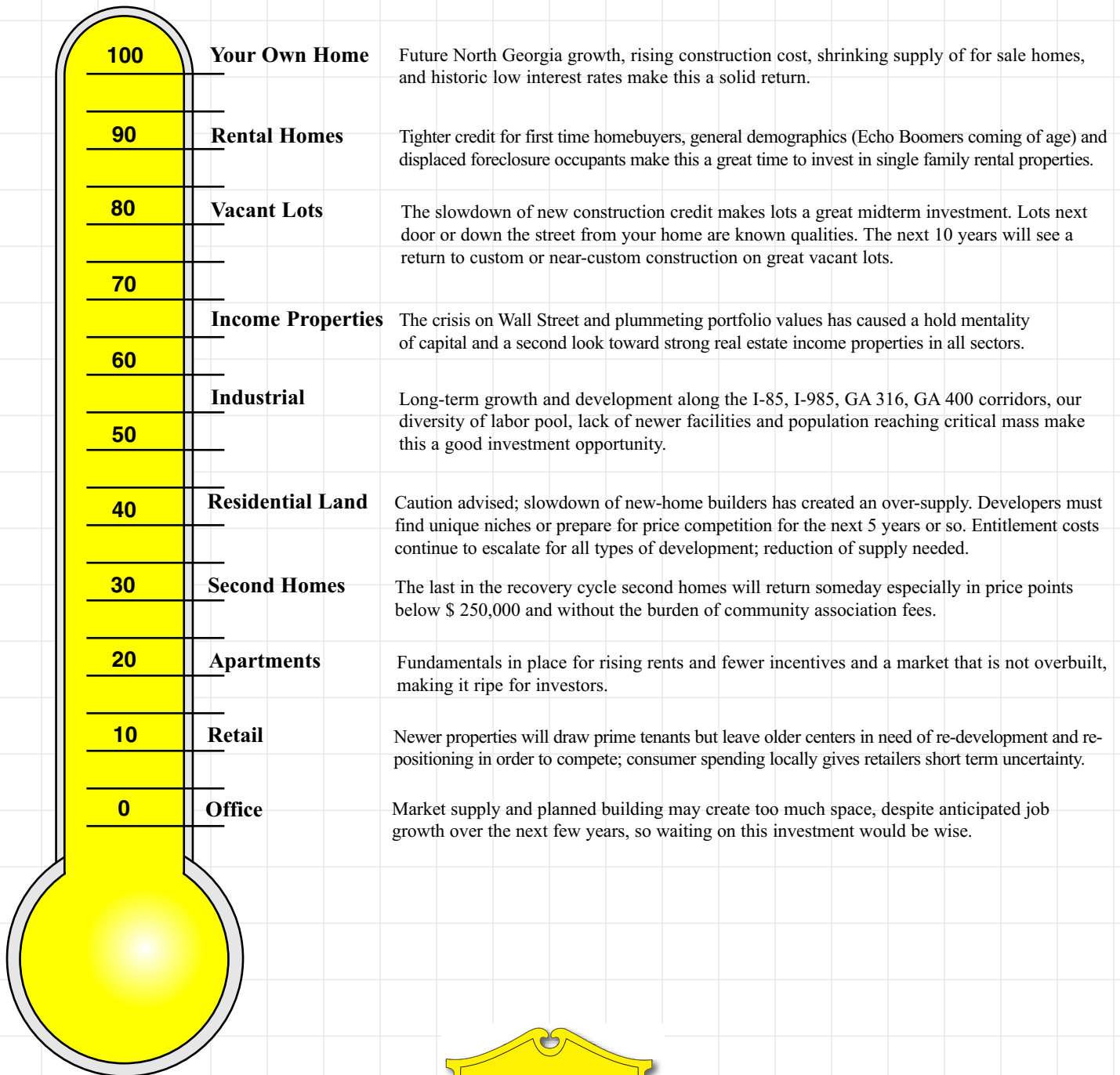
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